



STATEMENT OF THE

NATIONAL BUSINESS AVIATION ASSOCIATION

ED BOLEN
PRESIDENT AND CEO

BEFORE

HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

SUBCOMMITTEE ON AVIATION

THE UNITED STATES HOUSE OF REPRESENTATIVES

REGARDING

"COVID-19'S EFFECTS ON U.S. AVIATION
AND THE FLIGHT PATH TO RECOVERY"

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Chairman Larsen, Subcommittee Ranking Member Graves, and members of the Subcommittee on Aviation thank you for holding this hearing to discuss the significant challenges business aviation is facing due to the COVID-19 pandemic and how we are progressing on our path to recovery. On behalf of the National Business Aviation Association (NBAA) and our 11,000 member companies, we appreciate the opportunity to testify at this critical hearing.

The United States general aviation industry, including business aviation, supports 1.2 million jobs and \$247 billion in economic impact. Across the country, thousands of small businesses that generate \$77 billion in labor income are facing unprecedented challenges due to the pandemic. In addition, the companies that utilize business aviation, 85% of which are small and mid-sized businesses continue to face significant challenges.

Beginning in late February 2020, the GA industry began to suffer significant impacts due to COVID-19 related travel restrictions and shutdowns. During the depths of the pandemic last spring, GA aircraft operations dropped by an unprecedented 75% based on an analysis of FlightAware data. These substantial declines continue for our industry due to a sharp decline in business travel.

This severe and unprecedented reduction in flight activity had devastating consequences from fixed-based operators (FBOs) to maintenance shops, charter operators, and GA airports. For example, the U.S. aircraft maintenance industry has lost 50,000 jobs, and more than 80% of companies have seen revenue declines compared with 2019. At Hutchinson Regional Airport (KHUT) in Kansas, operations suddenly dropped by 80% last spring, and fuel sales declined by nearly 90%. The airport provides \$20 million in economic impact to the community, and many of its small business tenants took out loans to survive.

At Teterboro Airport (KTEB) in New Jersey, a critical business aviation gateway, GA aircraft operations dropped by more than 65% in June 2020. Through the end of last year, fuel sales and operations were still down 50% from pre-pandemic levels. Teterboro supports nearly 5,000 jobs and generates more than \$1 billion in economic impact, so these sharp reductions directly impacted families, small businesses, and the local community.

Despite these unrelenting challenges, the GA community continues its commitment to COVID-19 relief efforts. While the commercial airlines serve only about 500 airports, GA can reach more than 5,000 airports and communities, providing a critical link for pandemic relief. For example, GA pilots are flying COVID-19 test specimens from rural medical facilities to labs, cutting the wait time for results in half. In Vermont, business aircraft transported 600 test specimens a day to laboratories through a partnership with local hospitals.

One of the largest U.S. laboratories, Quest Diagnostics, relies on a fleet of 23 business aircraft to transport specimens to its labs across the country. The diverse fleet includes Beechcraft Baron piston twins and Embraer Phenom 100 light jets that can access a wide variety of GA airports. With the demand for COVID-19 testing, the company used its fleet and focused on logistics to increase efficiency and provide much-needed testing capacity.

More recently, organizations such as Patient AirLift Services were again able to provide volunteer medical flights and free patient air transportation with new COVID-19 safety protocols. As we continue to emerge from the pandemic, GA stands ready to expand our humanitarian efforts, use our

connections to small communities to assist with vaccine distribution and perform other missions to help communities across the country.

CARES Act Provided Much-Needed Relief

We applaud this Subcommittee's continued leadership in providing targeted relief for business aviation as we recover from the pandemic. Your work to quickly pass the CARES Act last March provided a critical lifeline for our community, and we continue to access relief programs today. Leading up to the CARES Act passage, NBAA worked with members of the Subcommittee to make sure that GA commercial operators were eligible for the same relief programs as the major airlines. Thousands of small air charter operators that do not have access to capital markets were in desperate need of relief, and thanks to your leadership, the Payroll Support Program (PSP) passed as part of the CARES Act covered GA commercial operators.

In addition to PSP, many of our members are still in business today, thanks to the Paycheck Protection Program (PPP). Along with your quick action on Capitol Hill, we applaud the dedicated employees at the Department of the Treasury, Small Business Administration, and other agencies that rapidly stood up these relief programs and worked with our members to answer questions in real-time.

While the vast majority of PSP funds provide critical support to the major airlines, many GA commercial operators received support that kept their businesses going and prevented layoffs. Early on in the program, we worked with the Treasury Department to develop streamlined requirements for small air carriers, most of which requested less than \$10 million in support. These requirements protected taxpayers while recognizing that small air charter operators often do not own any aircraft and do not have access to capital like the major airlines.

There are hundreds of stories about how PSP and PPP preserved GA jobs, but innovative charter, fractional, and aircraft management operator Airshare in Lenexa, Kansas, demonstrates the importance of these programs. Before the pandemic, Airshare was doing well, with around 200 employees and 50 GA aircraft. However, last March, the company realized the scale of its challenges and took decisive actions to adapt its business to ensure it could retain all of its highly skilled workforce. However, since business travel is a significant focus of Airshare's operations and immediately declined by almost 90%, the company needed additional relief.

Reasons behind the decrease in business travel are varied, but companies that own and operate business aircraft to transport their employees also feel the impact. For example, OFS, a family-owned furniture manufacturer headquartered in Huntingburg, Indiana, that operates a King Air 200 and King Air 350 turboprop, experienced significant business travel disruptions. In a typical year, the company flies more than 1,500 potential clients to its headquarters. The COVID-19 pandemic has profoundly impacted the company, with sales been down by more than 25%. Although OFS has been able to cut its expenses and adapt, flight operations have been virtually shut down due to travel restrictions and business challenges since March of last year.

With assistance from the PSP and PPP programs, charter fractional, and aircraft management operator Airshare did not layoff any employees and is looking towards the future. While there has been a recovery from the pandemic's depths, the company is still experiencing a sharp decline in business travel which is clouding the future.

In addition to connecting small towns and communities, air charter operators often perform critical and complex missions to transport human organs for transplant. For example, around 30 to 40% of the business for Ventura Air Services, a charter operator located at Republic Airport (KFRG) in Farmingdale, New York, involves transporting organs. When the pandemic hit, demand for other on-demand flights quickly declined, and Ventura struggled to retain the highly skilled workforce needed to perform organ transport flights. With support from PSP and PPP to get through the crisis, the company continued to perform its critical missions and is currently adding two additional aircraft to its charter certificate.

Unfortunately, many air charter operators are continuing to face a decline in business travel, so we appreciate PSP and PPP's extension through the Consolidated Appropriations Act of 2021 to provide continued relief. While our members understand challenges for the Treasury Department in administering PSP, we have experienced significant delays in the second round of funding. Although many large airlines have received the relief, small operators are still waiting, and we respectfully request that this Subcommittee works with Treasury officials to expedite the process.

Along with charter providers and small businesses, FBOs provide a diverse range of services from aircraft fueling to maintenance at GA airports and have been negatively impacted by the pandemic. Many of these are family-owned businesses, like Epps Aviation located at DeKalb-Peachtree Airport (KPDK) in Atlanta. Founded in 1965 by Georgia aviation legend Pat Epps, the company has grown to around 150 employees at DeKalb-Peachtree, which is one of the top ten GA airports in the country.

Beginning last March, Epps experienced a significant decline in traffic at the airport, which has still not recovered to pre-pandemic levels. Revenues declined by nearly 60%, and fuel sales which are a key driver of revenue were down 30%. The company obtained PPP relief, allowing it to maintain its highly skilled workforce, but they remain very concerned about the decline in business travel, which makes up 70% of their traffic.

Thanks to your actions, many GA businesses have avoided layoffs, but the future is uncertain, and additional relief may be necessary. For example, operations are still down significantly at Charles B. Wheeler Downtown Airport (KMKC), a key GA airport in Kansas City that supports nearly 700 jobs. At New Orleans International Airport (KMSY) and King County International Airport – Boeing Field (KBFI) in Seattle, general aviation traffic continues to be down by 30%. The ongoing reductions in business travel and the potential for additional COVID-related restrictions creates significant uncertainty for our community, and we appreciate your consideration of future GA relief needs.

For example, NBAA and a broad coalition of GA groups have requested a temporary suspension of aviation fuel taxes to incentivize demand. Congress temporarily suspended the 7.5% tax on commercial air transportation but did not take similar action for the non-commercial GA fuel tax. As you consider additional relief measures, we believe that temporarily suspending the GA fuel tax remains an important policy. For small airports and FBOs that rely on fuel sales for a significant portion of revenues, the suspension of non-commercial fuel taxes would help reduce costs for operators, provide longer-term relief, and be consistent with commercial aviation policy.

In addition to relief for operators, we applaud Committee Ranking Member and House GA Caucus Co-Chair Sam Graves' leadership in championing dedicated relief for GA airports. Under the CARES Act and Consolidated Appropriations measure, GA airports received \$145 million in relief, allowing them to continue operating safely through the pandemic.

Regulatory Challenges During the Pandemic

For every NBAA member, safety is the number one concern that drives all aspects of the flight operation. This commitment includes careful compliance with FAA-mandated training events, medical examinations, and other regulatory requirements. However, early in the pandemic, we realized there were significant health and safety barriers to complying with these regulations.

Working with the FAA, its dedicated staff, and the entire GA community, we developed Special Federal Aviation Regulation (SFAR) 118. This regulation is a comprehensive, safety-driven set of mitigations that reduced the risk of COVID-19 exposure while providing additional time to meet FAA requirements. The innovative regulatory approach facilitated needed relief while ensuring continued compliance with essential standards. Tens of thousands of pilots and hundreds of operators benefitted from this risk-based, collaborative approach that allowed the industry to adjust and implement additional safety measures without compromising standards.

The temporary relief granted under SFAR 118 will expire on April 30, and we appreciate the FAA's willingness to offer this relief. The FAA has indicated it will consider additional measures depending on how recovery from the pandemic proceeds. We understand the Subcommittee's interest and support of SFAR 118 and will keep in close communication on any future relief needed over the coming months.

Concern over Future Restrictions

Through leveraging relief opportunities and adapting business models, business aviation continues to be incredibly resilient during the pandemic. With airlines cutting service to many small communities, like Dubuque, Iowa, and Lake Charles, Louisiana, we have been able to fill part of the void and provide a potential travel option. This possible new business is helpful, but we remain concerned that future restrictions or COVID-19 testing requirements could be harmful.

Regarding domestic testing for air travelers, we believe that current testing protocols will not support on-demand flights, which are a vital part of business aviation's value proposition. NBAA members often fly to support critical infrastructure such as telecommunications networks and hospitals, meaning that delaying travel 24-48 hours to comply with potential COVID-19 testing requirements would have significant negative consequences. We support reasonable and science-based recommendations to control the spread of COVID-19 but urge a focus on improving the availability and turn-around time for testing before further discussions on this issue.

During the initial discussion of the domestic aviation testing requirement, we appreciated Chairman DeFazio's leadership in raising questions about the feasibility and effectiveness of such a requirement. Recently, it appears that the administration has paused its discussions on this policy, and we thank the Committee for its continued engagement.

GA Priorities for the Future

The remarkable development of effective COVID-19 vaccines provides a potential path forward for business aviation, even as we continue to deal with day-to-day pandemic-related challenges. With that in mind, we are looking to the future with a focus on advanced technology, sustainability, and diversity. This positive future will bring our country closer together and generate high-skill, good-paying jobs right here in the United States.

In a recent Deloitte study, the market for advanced air mobility (AAM) is estimated to reach \$115 billion annually by 2035, with the potential to create nearly 300,000 jobs. Since at least as far back as World War II, we have been able to leverage an incomparable infrastructure of airports, airspace, technologies, and personnel to bring commerce and humanitarian services to over 5,000 communities. On-demand AAM provides a path for the U.S. to maintain its position as the world leader in civil aviation, and there are significant opportunities for GA and our talented workforce to fly people and products where they need to be when they need to be there. To that end, NBAA actively supports numerous FAA working groups tasked with integrating AAM operations into the National Airspace System and looks forward to continued collaboration with the agency.

To realize the full potential of AAM, including congestion relief, a reduced environmental footprint, and enhanced mobility, we must look towards the next generation of infrastructure needs. As this Committee considers infrastructure investments, we respectfully request that future investments for AAM operations are considered in terms of eligibility for funding and programs.

For example, as Congress reviews infrastructure grant programs such as BUILD, consideration should be given to multimodal investments that include AAM. Although funding through these programs might not be needed today, AAM companies are nearing aircraft certification, meaning that we should take advantage of this historic discussion on infrastructure to make forward-looking changes that position us for the future.

In addition to the sustainability benefits of AAM, GA is committed to reducing the environmental footprint of existing flight operations. Increasing the availability of Sustainable Aviation Fuel (SAF) is critical to achieving the aviation industry's goal of carbon-neutral growth from 2020 and a 50% net reduction in CO2 emissions in 2050 as electrification is not yet an option for many types of aircraft.

As a "drop-in" fuel, biomass-based SAF can be safely used in any turbine aircraft and is blended with conventional jet fuel. Studies indicate that SAF has the potential to reduce lifecycle greenhouse gas emissions by 80%. However, to achieve this potential, the fuel must be widely available at a competitive cost.

NBAA and a broad coalition of airlines, fuel producers, and industry groups believe that a \$2.00 per gallon SAF blender's tax credit over 10-years would spur increased production. This credit would encourage fuel producers to invest in additional capacity, increasing the supply of SAF and driving down costs for operators. The existing \$1.00 per gallon biodiesel tax credit does apply to some SAF pathways but will expire in 2022. While the biodiesel credit is helpful, its limitations and limited duration do not provide the long-term incentives needed to boost SAF production. Should the \$2.00 credit become law, SAF would no longer qualify under the existing biodiesel credit.

Recently, the House Select Committee on the Climate Crisis and the Atlantic Council endorsed the need for a targeted incentive to assist with overcoming the challenges of increasing supply and availability of SAF. To achieve those goals, we hope to see the introduction of legislation on the \$2.00 per gallon blenders credit in the coming months and look forward to working with the Subcommittee on building support for this important policy.

While we understand this is not in the Subcommittee's jurisdiction, we want to underscore the importance of immediate expensing, also known as bonus depreciation, passed as part of the Tax Cuts

and Jobs Act. This pro-growth tax policy allows taxpayers placing qualifying property into service, including business aircraft, the ability to deduct the full cost of their investment in new and used equipment in the first year of operation. Businesses can then deploy that capital to make other investments and grow their operations. In talking with aircraft brokers and manufacturers, we know that immediate expensing incentivizes aircraft purchases, leading to U.S. manufacturing jobs.

Unfortunately, starting in 2023, taxpayers will no longer be able to deduct the full cost of capital investments, and the incentive will end in 2027. The Tax Foundation has found that making full immediate expensing permanent would result in more than 170,000 additional full-time jobs. That is why NBAA supports legislation like the ALIGN Act, introduced in the last Congress by Senator Toomey and Representative Arrington to make immediate expensing a permanent part of the tax code.

In the areas of diversity and the aviation workforce, we continue to leverage NBAA's ability to bring together the GA community to make advancements. With leadership from Chairman Larsen and Congressman Don Young, we look forward to re-introducing the Promoting Service in Transportation Act during this Congress. This legislation would authorize the Department of Transportation to develop a series of broadcast, digital and print public service announcements to promote career opportunities and increase diversity in the transportation workforce.

Through these public service announcements, we will raise awareness of careers across all transportation modes, including aviation. There will also be synergies with efforts to grow the STEM workforce and related educational opportunities. While momentum around the future STEM workforce is vital, aircraft pilot and aviation technician careers are often not considered by students. That is why the legislation is critical, as it will help address these challenges by building linkages between STEM programs and the significant career opportunities for a diverse group of pilots and technicians.

At our virtual events over this past year, and when we return to live events, NBAA offers targeted educational programs by providing student-focused programming to educate young people about the many business aviation career opportunities. Utilizing our events to introduce a diverse group of students to business aviation allows us to build networking opportunities and expand a dedicated mentoring program – all of which create valuable connections between students and industry professionals.

During Black History Month, we featured stories of NBAA members that are using their careers and connections to their communities to increase diversity. For example, our members are reaching students of color through innovative programs like teaching middle school students how to fly and race drones. Through organizations such as the Experimental Aircraft Association and its Young Eagles program, the Organization of Black Aerospace Professionals, and its Aviation Career Education Academy, NBAA members volunteer their time and skills to build a more diverse business aviation industry. NBAA looks forward to partnering with the Subcommittee on similar initiatives around diversity, equity, and inclusion.

NBAA is also honored to have two of our Board members serving on the U.S. Department of Transportation's newly formed Women in Aviation Advisory Board. The purpose of this group is to recommend strategies to encourage women to pursue aviation careers. The board also identifies opportunities for education, training, mentorship, outreach, and recruitment of women in the aviation

industry. We thank this Subcommittee for creating this advisory board and other groups that promote diversity and the aviation workforce through the FAA Reauthorization Act of 2018.

In closing, the COVID-19 pandemic has brought unprecedented challenges for business aviation and the entire GA community; however, it has also demonstrated our resiliency and critical importance to thousands of communities. From delivering test specimens to providing humanitarian flights, our industry continues to be a vital part of relief efforts. We thank members of this Subcommittee for recognizing the critical importance of business aviation when considering relief measures, and we look forward to continuing those discussions over the coming months. While there are certainly challenges on the horizon, we are optimistic about the future and thank this Subcommittee for its continuing commitment to all aviation industry sectors.