NBAA

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BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION
BUSINESS JET AIRCRAFT INDUSTRY: STRUCTURE AND FACTORS AFFECTING COMPETITIVENESS

INVESTIGATION NO. 332-526

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INTRODUCTION

Chairwoman Okun, Vice Chairman Williamson, and members of the Commission, as President and CEO of the National Business Aviation Association, I would like to express my appreciation for the opportunity to provide our views during this important hearing which is to support the ITC's investigation, *"Business Jet Aircraft Industry: Structure and Factors Affecting Competitiveness."*

NBAA was founded 64 years ago to represent companies that utilize general aviation aircraft as a tool for meeting some of their transportation challenges. NBAA and our members are committed to working with the government to transform and modernize the nation's aviation system. Likewise, we are committed to policies that support the continued growth of each aviation segment, including general aviation, which plays a critical role in driving economic growth, jobs and investment across the U.S. We strongly support the shared goal of keeping our national aviation system the largest, safest and most efficient in the world.

General aviation, or GA, is an essential economic generator, contributing more than $150 billion to annual U.S. economic output, and directly or indirectly employing more than one million people. Most general aviation aircraft operating around the world are manufactured and/or completed in the U.S., and our industry is continuing to build a strong American manufacturing and employment base that contributes positively to our national balance of trade.

FACTS ABOUT BUSINESS AVIATION

Business aviation is an FAA-defined term. According to the FAA, business aviation is the use of any general aviation aircraft – piston or turbine – for a business purpose.

From creating growth opportunities and global connectivity for America's small towns and rural areas to supporting the nation's productivity, business aviation is an important economic engine, creating jobs and investment, while contributing to the world's leading aviation system. Simply put, business aviation is a vital part of the nation's economy and transportation system.

The U.S. aviation system is fully integrated. Each player is critical to the success, strength and growth of our economy. As you may know, the system is made up of three segments:

- Scheduled operations, including passenger airlines;
- Military, and;
- General aviation.

General aviation includes diverse operations, with business uses that range from agriculture, to law enforcement, to fire and rescue services, to varied government, educational, nonprofit and business organizations. Servicing and supporting these organizations are FBO's, maintenance technicians, suppliers and service providers.

While this ITC investigation is focusing on business jets under 50,000 lbs weight, it is important for you to understand the depth and diversity of our industry. The business aviation fleet is dominated by pistons, helicopters, turboprops, and light jets with over 80 percent of the more than 30,000 registered business aircraft in the U.S. having cabins about the size of an SUV, and flying on average less than 1,000 miles. The vast majority of these GA operators use small aircraft that seat no more than eight people.

A Vital Lifeline for Main Street

In small towns and rural areas across America, business aviation is an essential tool that enables businesses to thrive, grow and create jobs in their hometowns. That's because in many instances, there are no other transportation options that meet their needs.

Many small and mid-size businesses are located in areas without scheduled airline service. Businesses of all sizes require in-person travel for such operations as sales, technical support and other types of customer service. Such trips may call for multiple stops in a short period of time or travel to remote locations. Often, the distances are too long to drive or airline service is not available.

A 2009 survey of business aviation pilots and passengers, conducted for NBAA and the General Aviation Manufacturers Association by Harris Interactive, concludes that managers and other mid-level employees are the typical passengers on business aircraft – not senior executives.

A Lifeline in Disaster and Emergency

The business aviation community is not only an economic lifeline for thousands of our nation's communities; it also supports people and communities in times of crisis.

For example, in the days and weeks following Hurricane Katrina, hundreds of thousands of pounds of supplies were transported into small airports throughout the Gulf Coast region aboard business aircraft. These aircraft also were used to transport victims out of harm's way.

General aviation has snapped into action when there's a need to confront floods in the Midwest, fires in the West, or a whole host of other natural disasters. The business aviation community – working mostly on a volunteer basis – has always been quick to help assess damage, rescue those affected by these disasters, and carry in lifesaving support and supplies to the affected regions.

In addition, hundreds of GA operators carried thousands of passengers and over a million pounds of supplies to and from Haiti after the devastating earthquake there. In fact, Congress passed a resolution commending business aviation for its response to the crisis.

The people who rely on a general aviation aircraft for business are also dedicated to helping provide lifesaving flights to the communities in which they live and work. Operations like the Corporate Angel Network arrange free air transportation for cancer patients traveling to treatment using the empty seats aboard business airplanes. Angel Flight America's seven member organizations and 7,200 volunteer pilots arrange flights to carry patients to medical facilities. And the Veterans Airlift Command uses business airplanes and unused hours of fractional aircraft ownership programs to provide free flights for medical and other purposes for wounded service members, veterans and their families.

VIDEO: ONE INDUSTRY

Please allow me to show you a 30-second video that articulates the value of business aviation.

http://www.noplanenogain.org/index.php?m=47&s=385&id=50

PROFILES OF COMPANIES THAT RELY UPON BUSINESS AVIATION:

I submit profiles of two companies, which are very representative of the business aviation community in the United States:

LaBov and Beyond

Business aviation enables LaBov and Beyond, a small marketing and communications firm in Fort Wayne, IN, to compete for clients with large firms in New York, Chicago, and all around the country. CEO Barry LaBov told me that their business aircraft, which is a Cessna CJ1, gives them a chance to be a local company to clients, even though they're located 400 miles away.

In small markets like Fort Wayne, marketing companies must focus on smaller businesses, or only service one large, local client. Business aviation gives LaBov and Beyond the flexibility to meet with clients on short notice, making the company competitive with larger, national marketing firms. As a creative business, their work is a collaborative process, so face to face meetings are essential to deliver the results their clients need. And their business jet makes those productive meetings possible.

LaBov and Beyond credits access to a business aircraft as instrumental in pulling together projects quickly or when deadlines change. That flexibility saves the company, and their clients, money. Staff members apply to use the jet, coordinating trips so that the CJ1 is used efficiently. Barry LaBov, the CEO, is actually only on the plane 10 percent of the time. In fact, a typical flight starts off by taking four of their staff members from Fort Wayne to Detroit, MI, to meet with clients; then taking other staffers from LaBov's Detroit office to a client location, for the day, for another meeting.

Those same meetings would be costly and time-consuming if the company had to rely upon commercial airlines. Fort Wayne International Airport (FWA) has few commercial flights and most connect to major hubs, forcing staff to need several hours – if not an entire work day – to reach their clients.

Barry LaBov says that the ability to reach clients all over the country and return home to Fort Wayne is a priceless advantage to owning their business aircraft. It helps the company be a valuable member of Fort Wayne's local economy, while ensuring staff are productive and connected to their families and the community.

Apogee Medical Group

Everyone wants to receive the best healthcare possible. Yet patients whose nearest medical facility is a regional hospital with 200 or fewer beds may not have access to the specialists they need. And the medical knowledge base has expanded so much in recent years that general practitioners cannot be expected to know everything necessary to completely care for a patient. Business aviation has been key to meeting the needs of Apogee Medical Group's clients, which are geographically remote hospitals.

Apogee is a Phoenix, AZ-based five-year-old small business that provides teams of hospitalists to regional facilities in 15 states. Apogee's owner and founder, Dr. Michael Gregory, says that business aviation has been key to meeting the needs of his clients, which are geographically remote hospitals located in places such as Grants Pass, OR; Marion, IL; and Thomasville, GA. Managing a program at a facility that you can drive to easily is very different from managing one that requires you to take three airline flights to get there and back. That is why Apogee bought a Hawker 800 two years ago to fly from Scottsdale Airport to a variety of destinations, from coast to coast.

Dr. Gregory told me that he does not look at an airplane as something that costs money, but something that makes money. With business aviation, Apogee can do more in a single day than their competitors can do in a week. Gregory, who focuses on managing Apogee so the company's 250 physicians can concentrate on providing excellent specialized healthcare, says that the cost of operating a business aircraft is easy to justify.

In order to pack as much into a travel day as possible, the Apogee airplane typically leaves Scottsdale before dawn and returns long after sunset, making multiple stops in between. In fact, Dr. Gregory's itinerary is so full that some travel experts find it hard to believe that he can do as much as he does in just one trip. He recently received a call from American Express, which was concerned that his credit card was being used fraudulently. However, Dr. Gregory assured the customer-service representative that he had indeed rented cars in four different states in a single day.

BUSINESS AVIATION MARKETPLACE: A GLOBAL SHIFT

As you are well aware, the manufacture of civilian aircraft, engines, equipment, and parts is one of the strongest positive contributors to our nation's balance of trade. According to GAMA's Statistical Databook & Industry Outlook, in 2010, there were 2,015 shipments of piston, turbojet and turboprop aircraft. Of those shipments 1,334 were manufactured in the U.S. and 689, or 52% of the aircraft, were exported, equating to almost $5 Billion in exports. A reflection on how the economy has impacted business aviation manufacture, this number is down significantly from its high in 2008 with 1,161 units exported equating to almost $6 Billion.

According to the U.S. Commerce Department's International Trade Administration's 2011 analysis of the U.S. aerospace industry, we are experiencing increased diversification of general aviation operators globally. While North America remains the top market for aircraft sales, aircraft deliveries are becoming more evenly distributed among the regions. Asia-Pacific is now the second largest region for turbo-prop deliveries. The ITA believes that this change is due more to the fact that the North American market has shrunk than to significant growth elsewhere.

HEADWINDS FACING BUSINESS AVIATION

The Global Economic Downturn

Unfortunately, the people and businesses in general aviation, like other industries, are weathering one of the worst economic storms anyone has ever seen. The impact of the flagging economy on the companies and communities that rely on general aviation is visible in all parts of the country.

During the recession, we saw business aviation flying decrease by as much as 35 percent in some locations in the United States. The inventory of used airplanes available for sale reached an all-time high, with close to one in five airplanes for sale. Prices for business airplanes declined by 40 percent, and employment at leading general aviation companies fell by as much as 50 percent. While we have seen some uptick in flight activity in recent months, activity is still below the 2008 levels and experts agree that the recovery will be slow and gradual over the next several years.

Lack of a Clear National Aviation Policy

In addition to economic headwinds, the future of business aviation is in jeopardy in the absence of a clear national aviation policy. Throughout history, great economies and great countries have been defined by their transportation systems.

To think back on America in 1903, there were two fundamental things that happened that served our country enormously well. One was that Henry Ford started an automobile company, and his mission statement for that company was to open the roads for all mankind, to make automobile travel -- that form of transportation -- available to everyone. That same year, Orville and Wilbur Wright flew at Kitty Hawk, and a few decades later, we made a giant leap for all mankind. I think the fact that we had great transportation in the 20th century here in the United States is a primary reason why historians talk about the 20th century as the American century.

We're now well into the 21st century, and I would submit that this century, like all the centuries before it, will be largely defined by transportation. And I submit that aviation will be the key mode of transportation in the 21st century.

No one knows better than you that we are living in a global marketplace, we're trading in a global marketplace, and we're competing in a global marketplace. Our world has got a lot more in common than we've ever had before, and the fact of the matter is, aviation has the ability to make face-to-face transportation possible in this global marketplace. Every culture throughout history has valued face-to-face communication, and that's as true today as it has always been. If you want to do business in India, Brazil, China, Russia, all of those things are only possible on a face-to-face basis if you use aviation.

Aviation is also about the value of time, getting from one place to another quickly. Time has real value. It's one of the reasons why one-third of all goods by value are shipped by aviation. We don't ship the most goods; we ship the most valuable goods. Aviation matters.

And now at the brink of an exciting new time, we in the United States need to decide where are we going to go in terms of our aviation future. I have a concern, and that's the fact that aviation is not always viewed as the

national treasure that it once was. It's been a long time since we've opened up a new airport in the United States. And over in China, they are opening up over 10 airports every year, over 100 airports in the last decade. They clearly recognize that this is a great industry, and leadership in aviation matters.

The conclusion this leads to is that we need a national aviation policy that helps the entire aviation industry grow and thrive in the United States.

And if you doubt that aviation will be the defining mode in the 21st century, I'll simply close by saying this: two miles of waterway will take a boat two miles. Two miles of highway will take a car two miles. Two miles of railway will take a train two miles. Two miles of runway will take an airplane anywhere in the world. That's our industry. It's a great one. Thank you.