

Statement of
Brad Pierce, President of Restaurant Equipment World
Before the
Committee on Small Business
U.S. House of Representatives
Concerning
User Fees in the Aviation Industry: Turbulence Ahead
September 12, 2012

My name is Brad Pierce, and I appreciate the opportunity to be here today and to represent the Aircraft Owners and Pilots Association (AOPA). I have been a member of AOPA since 1997. The company I lead, Restaurant Equipment World is also a member of the National Business Aviation Association (NBAA).

Restaurant Equipment World (A Pierce Sales Company, Inc.) was founded more than 35 years ago by my father, Jerry Pierce. We provide equipment to restaurants and foodservice establishments throughout the Southeast and beyond from our headquarters in Orlando, Florida. Today we are proud to have approximately 48 employees and offer top quality foodservice equipment, layout services, and installation to clients that includes independent and chain restaurants, hospitals, corporate cafeterias, correctional facilities, and exports to establishments in foreign countries. We currently have sold products to over 100,000 customers in all 50 states and more than 110 countries internationally.

My testimony today will make the following key points:

1. General aviation has been a critical factor in the growth of our business and gives us an important competitive advantage.
2. General aviation users pay to fund the aviation system through excise taxes on fuel. This system is effective, proven, and should continue to be the means for users to pay into the system.
3. User fees would be devastating to my business and others like it that depend on general aviation daily.

General aviation grows business

Restaurant Equipment World depends on general aviation to conduct business. We currently fly a Turbo Cirrus SR-22 and have placed a deposit on a Cirrus Vision Jet. Our current aircraft is the third airplane that we have utilized to grow our business.

I consider my airplane to be one of my best employees. It has consistently allowed me to expand the boundaries of our service area because we can

reach potential clients fast, even when they are located hundreds or thousands of miles from our Orlando headquarters. I have personally flown our aircraft to 49 states. We utilize our aircraft to maintain existing relationships, attend industry events, and pursue new business for our company. And because the airplane allows us to set our own travel schedule, we can stay on site to make sure our business interactions are complete and our clients are satisfied; we don't have to worry about catching a flight. As recently as two weeks ago, our aircraft allowed me to shift my schedule in order to meet with a new client as well as being able to make an impromptu site visit with our manufacturing partner on my way to an industry event.

On more than one occasion, our airplane has provided the competitive advantage we needed to secure a contract. When we had a call from a potential client in North Carolina, I was able to arrange a meeting less in a matter of a few hours, something that would have taken a full day of travel each way utilizing a commercial airliner, not to mention the added hotel, rental car, meals and other expenses which would have been incurred. We got there even before the local restaurant supplier, and Restaurant Equipment World got the business. The client was impressed with our ability to respond to their needs quickly which gave them the confidence we were the best choice to complete their project on time without excuses.

The airplane allows me to meet with multiple customers in multiple cities and multiple states in a single day. It allows me to respond quickly to customer needs. And it allows me to build personal relationships with clients I might otherwise never be able to meet face to face. These things are critical for growing and maintaining my business. Our airplane has also allowed our staff members and managers to accompany me on trips in order to meet their counterparts at client locations. This has helped to build stronger bonds throughout our organization with our customers.

And I am not alone. In my home state of Florida, for example, general aviation is associated with more than 7 million jobs and it has an estimated economic impact of \$7.5 billion. That's because thousands of business owners like me use general aviation to support and grow their companies.

The current recession has been a challenge for all businesses, Restaurant Equipment World included. In order to survive and thrive, we have had to have a laser focus on efficiency. We are a small company. We can't throw unlimited resources at challenges and opportunities. But we need to be there for our customers, now more than ever. At a time when we've seen multiple competitors failing, we've been able to grow our business and continue hiring employees.

Current System of Excise Taxes Work

The United States has the largest, safest, most efficient air transportation system in the world—a system developed and funded by simple, efficient taxes on aviation fuel, passenger tickets, and air cargo.

About two-thirds of the funding for the FAA's Aviation Trust Fund comes from a variety of excise taxes. Currently, avgas users pay 19.3 cents/gallon in fuel tax, while noncommercial Jet A users pay 21.8 cents/gallon. GA users have agreed to an increase in the fuel taxes in lieu of user fees, ensuring that GA pays its "fair share" of costs. Because fuel taxes are included in the amount charged for fuel they are directly remitted to the federal government. These taxes are easy to collect and provide an equitable distribution of costs—if you fly farther, you use more fuel and pay more in taxes. Similarly, the Highway Trust Fund is collected at the pump.

Other parts of the world have user fee systems that are far more complex and require a large bureaucracy to manage. Take for instance Australia. In order to fly general aviation, you'll need to know your deemed max takeoff weight, how far you'll fly, how many full-stop landings and instrument approaches you'll make, the rate per ton assessed at your planned destination—and if you'll be arriving during normal business hours. Plus, take a guess at whether you'll fly more or less than last year, because the government could give you an option to estimate your charges. If it's less than \$500, you might be off the hook. If not, pay up.

(http://www.airservicesaustralia.com/wp-content/uploads/standard_contract_oct2011.pdf)

Of course, this elaborate pay scheme requires people to measure your flights, count your landings, check your math, and collect your money. So a lot of the money you pay into the system won't even go toward providing ATC services or keeping the airspace system safe.

The burden of similar fees in the United States would destroy flight schools, decimate the pilot population, put manufacturers and FBOs out of business, and kill off some of the 1.2 million jobs that now depend on GA.

General aviation pays at the pump

Every general aviation operator pays to support the aviation infrastructure every time we fly through an excise tax on fuel. This tax has been an effective way of paying into the system since the earliest days of powered flight. It directly reflects how much we fly because we are taxed on the amount of fuel we use. Currently, Avgas users pay 19.3 cents/ gallon in fuel tax while non-commercial Jet A users pay 21.8 cents/gallon.

Our current system requires no additional bureaucracy or administrative costs either for system users or for the federal government.

And Congress sets the tax rate. It is within your purview to adjust the rate as needed.

A \$100 per flight fee would require a new system just to administer and collect this new tax. And once the bureaucracy was in place, the fee could change at any time without Congressional input or oversight. For business owners like myself, there would be additional costs just to reconcile and pay the resulting invoices, making the added burden of this new tax even greater.

Today's system of excise taxes works. Creating a new type of tax, with the necessary administrative bureaucracy, would increase costs and decrease efficiency for everyone concerned.

User fees would devastate small businesses

Without question, a \$100 per flight user fee would be catastrophic to general aviation, will not create jobs, will depress economic prosperity for the hundreds of thousands of businesses that rely on general aviation to move their goods and is nothing more than an additional regulatory burden and harassment to our nation's small businesses and communities that rely on general aviation as a means of livelihood.

Such a proposal, if enacted, would be devastating to small businesses like mine. Adding an additional \$100 to the cost of every flight would have an impact on how many clients we could reach. Shorter flights would make less economic sense, and we would not be able to visit multiple cities in a day if every stop meant an additional \$100 fee.

For a business like mine that depends on being responsive to client needs and building relationships in person, the proposed fee would be devastating. Our travel costs would rise and the value proposition would change. The administrative burden of tracking and reconciling invoices and paying them would also add to our expenses.

Conclusion

I thank you for the opportunity to testify here today and I urge you to reject new taxes in the form of user fees for general aviation. General aviation helped to make it possible for us to grow Restaurant Equipment World from a five-person operation to a company with approximately 48 employees. We want to continue to create jobs, and we need general aviation to do it. Allow us to continue to pay at the pump so we can focus our energy on making our businesses stronger instead of on paying new fees.