December 10, 2008

The Honorable Nancy Pelosi, Speaker
Office of the Speaker of the House
H-232, U.S. Capitol
Washington, DC 20515

The Honorable Harry Reid, Senate Majority Leader
Office of the Senate Majority Leader
528 Hart Senate Office Building
Washington, DC 20510

The Honorable Mitch McConnell, Senate Minority Leader
Office of the Senate Minority Leader
S-230 Capital Building
Washington, DC 20510

The Honorable John Boehner, House Minority Leader
Office of the House Minority Leader
H-204 Capital Building
Washington, DC 20515

Dear Speaker Pelosi, Leader Reid, Leader McConnell, and Leader Boehner:

As Congress crafts legislation to guide our nation through the current economic downturn, the undersigned associations representing the United States civil aviation industry urge Congress to recognize aviation's unique place in the American economy. Our industry (which includes aircraft, engines and parts manufacturers, airlines, airports, pilots, aircraft owners and the general aviation community) directly and indirectly generates over ten million jobs and $1.2 trillion in economic activity annually. In 2006, according to the Federal Aviation Administration's recent analysis, that activity represented approximately 5.6

percent of the U.S. Gross Domestic Product (GDP). In addition, U.S. employees in aviation-related fields paid taxes on about $369 billion in payroll.

Unfortunately, those numbers are now in decline. The current economic downturn has forced many of our companies to lay off valued employees. Just this year, passenger carriers have shed 22,400 full time jobs. Since the beginning of this year, at least eight airlines have gone out of business. Manufacturers and parts suppliers still have backlogs, but critical delivery dates are being pushed back. And U.S. air carriers continue to draw down capacity as Americans curtail air travel and reduce their reliance on the industry to ship goods throughout the world. General aviation flight hours have declined and there is pessimism among pilots who believe that the current depressed economic conditions will prevail into the next year. In addition, industries that rely on an efficient air transportation system are at risk. In 2007, $394 billion of U.S. exports and $415 billion of U.S. imports were shipped by air.

In view of this deteriorating situation, as you consider an economic stimulus package, we believe you should focus on several vital areas of our nation's aviation infrastructure. Careful investment decisions made today will provide immediate economic relief – while preparing our national air transportation system for future growth. Moreover, many of the investments we make in our aviation infrastructure today will also reap substantial environmental benefits for years to come.

Therefore, the industry represented by our associations strongly recommends the following proposals be included in the economic stimulus package:

Include at least $1 billion for the Airport Improvement Program (AIP) - As you know, there are over 5,000 public use airports in this country. Approximately 500 have commercial airline service. In addition to commercial airline service to large communities, General Aviation and regional airline service provide an economic lifeline for thousands of communities and an essential economic generator throughout the country. Additional investment in airports of all sizes will undoubtedly provide needed stimulus to both large cities and rural communities in all 50 states. This infrastructure funding would help stimulate the economy by creating approximately 35,000 high-paying jobs. It would also expedite the construction of critical safety, security and capacity projects at airports around the country.

Fund $3 billion in NextGen Equipage to Reduce Emissions and Delays - Our aviation infrastructure includes airports, airways, aircraft, and the air traffic management system. In order to support and stimulate the U.S. economy, it is necessary to invest in the entire aviation infrastructure. To enable many of the changes envisioned in NextGen, new aircraft equipment must be purchased and installed to operate in the new system. Incentives or funding to support avionics implementation would accelerate many of the economic and environmental benefits. Key pieces of NextGen include Automated Dependent Surveillance-Broadcast (ADS-B) ($2.5 billion equipage), Required Navigation Performance (RNP/RNAV) ($500 million equipage) and GPS Wide Area Augmentation System – equipment that when deployed on commercial and general aviation aircraft increases safety in all weather conditions, the accuracy of the information used to track airplanes and will help enable reduced spacing between aircraft, will reduce emissions, and improve passenger experience.

Approximately 20,000 aircraft can be equipped with this investment – generating high-paying green jobs in the high-tech fields of civil aviation manufacturing, flight operations, maintenance and environment.

Eliminate the Alternative Minimum Tax (AMT) penalty on airport private activity bonds - Federal tax law unfairly classifies the vast majority of bonds that airports use as private activity – even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the AMT, airport bond issuers are charged higher interest rates on their borrowing. Consequently, airports are being forced to either postpone key infrastructure projects or find other sources of short-term financing. Eliminating the AMT penalty would allow airports to find buyers for their bonds so they can fund infrastructure projects that will create jobs and stimulate the economy.

Extend the current bonus depreciation provision for aircraft purchases through December 31, 2009 and the placed-in-service date through December 31, 2011 - New general aviation aircraft orders are freezing up. Deliveries of piston engine airplanes have fallen by 11 percent and sales are stagnant. We need to keep aircraft production lines moving and machinists and engineers employed. Bonus depreciation changes the timing of the standard depreciation schedule to give more depreciation in year one but less depreciation in all future years (the total amount of depreciation remains unchanged). Additionally, the in-service placement date should be extended to December 31, 2011 to allow manufacturers to maintain their backlog and production schedules more effectively. By extending bonus depreciation and the in-service placement date, we will be better able to preserve the good jobs our industry offers. Finally, since bonus depreciation relates only to timing and does not change the total amount that can be ultimately depreciated, its cost to the federal government is close to zero.

Accelerate Increase in Domestic Manufacturing Deduction - Under present law, in 2010, the Internal Revenue Code, Section 199 deduction for domestic manufacturing activities is scheduled to increase by 50 percent – from six percent of U.S. manufacturing income to nine percent. When enacted in 2004, the purpose of Section 199 was to encourage manufacturing activities and job creation in the U.S., but it was phased in over a six-year period for budgetary reasons. To maximize this incentive for U.S. manufacturing activities, Congress should now accelerate the effective date of the last scheduled increase in the tax deduction to January 1, 2009.

Make the R&D tax credit permanent - An increasing amount of research funding is being committed in countries – such as Ireland, Canada and China – because more attractive Research and Development (R&D) tax incentives are available outside the United States. Thus, the U.S. has already fallen out of the top rank of Organization for Economic Cooperation and Development countries offering tax incentives for private sector R&D. The R&D tax credit provides a critical and effective incentive for companies to increase their investment in U.S.-based research and development. The credit is a positive stimulus to U.S. investment, innovation, wage growth, consumption, and exports -- all contributing to a stronger economy and a higher standard of living for American workers. Making the R&D

tax credit permanent will help reduce uncertainty for companies making tough R&D investment decisions in the U.S.

While the nation's economy is in trouble and the aviation industry is feeling the pain like everyone else, all forecasts point to robust growth in the civil aviation sector in the coming years. These recommendations, if adopted, will not only achieve short term economic stimulus goals, but will also lead to long term efficiencies and economic growth. Moreover, this growth will come from an industry with a proven track record in improving fuel efficiency and overall environmental stewardship. Very few government investments have the potential to positively influence two policy objectives at the same time. This is an investment we cannot afford to postpone.

For questions regarding these proposals, please contact Dan Elwell at (703)358-1080, or dan.elwell@aia-aerospace.org.

Sincerely,

Aerospace Industries Association
Air Transport Association
Airport Consultants Council
Airports Council International-North America
Aircraft Owners and Pilots Association
American Association of Airport Executives
Cargo Airline Association
General Aviation Manufacturers Association
National Air Carrier Association
National Business Aviation Association
National Association of State Aviation Officials
Regional Airline Association