

Testimony of

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Executive Director/CEO

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On the Topic of

Elimination of the Pa. Sales and Use Tax on Aviation

Before the

Pennsylvania House Transportation Committee

Hon. Joseph F. Markosek, Chairman

March 11, 2008

Irvis Office Building

Harrisburg, Pennsylvania

Good morning Mr. Chairman and members of the Committee. My name is Bradley D. Penrod, Executive Director and CEO of the Allegheny County Airport Authority. As the operators of the Allegheny County Airport and the Pittsburgh International Airport, the Authority is acutely aware of the financial issues facing airports and the aviation industry in today's operating environment.

As you know, there have been significant changes in the demands on the aviation and airport system in Western Pennsylvania as a result of the changes in the commercial service airlines at Pittsburgh International Airport. As a result of these changes, there has been an increased interest and demand in general aviation opportunities as related to the desired service level; however due to the exiting tax structures on aircraft maintenance and repairs in the Commonwealth, the potential growth that could be expected has not happened, and is most likely to not develop to its fullest capacity.

In recent years, the aviation community has found many challenges related to cost effective continuation of successful operations. As aircraft repairs and maintenance services become very cost competitive, Pennsylvania service providers face the challenge of needing to invest in staff, facilities and technologies, while at the same time facing out of state competition from facilities in bordering states. As the aviation industry continues to be a critical part of the economy of the Commonwealth, the proposed exclusions from sales tax will be a significant step in economic stimulation by encouraging more aircraft sales and aircraft maintenance functions to occur within the Commonwealth.

At the current time, aircraft sales and maintenance tasks are more attractively completed at locations outside of the Commonwealth due to more attractive tax laws. We must remember, because aircraft by their very function are mobile, and owners/pilots

are able to easily fly across the state lines to gain access to more cost effective sales and maintenance functions, the many opportunities for such services to take place in Pennsylvania are eliminated. As can be expected, this loss of opportunity in Pennsylvania also means that maintenance and service jobs leave the state with the airplanes that require the federally mandated maintenance and service. In the case of Allegheny County Airport, the Pittsburgh Institute of Aeronautics (PIA) is a world-renowned learning institution that trains highly qualified and skilled FAA certified aircraft power plant and airframe mechanics that are in very high demand as today's aircraft and systems become more complex. However, as these newer aircraft require regular maintenance, the jobs that PIA graduates hold, are more and more being held outside of the Commonwealth.

In discussions with aircraft repair stations/Fixed Base Operators (FBO) in Allegheny County, I have been advised that aircraft sales/maintenance services are frequently lost to out of state locations due to the current tax burden in the Commonwealth. With these lost sales and service opportunities there are fewer demands on Pennsylvania airport facilities, which means the loss of jobs, income, and growth opportunities.

For the betterment of the aviation industry in the Commonwealth, I would strongly encourage the passage of the proposed sales tax exclusions. Thank you for the opportunity to comment on this issue so critical to aviation and economic development in Pennsylvania. Thank you for the opportunity to address the Committee on this matter

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Two Lock Security Legislation

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Good morning Mr. Chairman and members of the Committee. My name is Bradley D. Penrod, Executive Director and CEO of the Allegheny County Airport Authority. As the operators of the Allegheny County Airport and the Pittsburgh International Airport, the Authority is acutely aware of the operating and security issues facing airports and the aviation industry in today's operating environment. At the Allegheny County Airport, one of the largest general aviation airports in the Commonwealth, in cooperation with our tenants and industry groups, we have implemented a number of best practices related to security without the need for legislative guidance from the state or federal levels. The proposed language for security plans at public airports in the Commonwealth is a concern to many airports. Initially, my primary concern is to identify the exact issue the proposed language wants to address.

I agree that airport operators should be encouraged to coordinate with their tenants and local Law Enforcement Officers (LEO) organizations and industry groups, and promote security awareness with all airport users, however a one size fits all plan is not realistic and would in fact restrict general aviation growth in the Commonwealth. Given that many public use airports in the Commonwealth already have an Airport Security Plan (ASP), as required by CFR 1542, that is coordinated, reviewed and approved by the Transportation Security Administration (TSA), a separate security plan, as proposed under the current language, would be an additional burden and cost on airport operators and tenants with no apparent benefit. Federal Sensitive Security Information requirements would need to be cleared before any federally regulated airports could disseminate their respective ASP to County or State agencies. A concern

is that further dissemination of an airport's ASP can compromise the measures employed to secure an airport.

Other concerns include the following:

- a. At the current time, it is my understanding that the Bureau of Aviation does not have the staffing resources to be tasked with reviewing airport security plans. Additionally, it is not certain or clear if the department will conduct Security Assessments or if that task would be outsourced to the Pennsylvania State Police (PSP). If outsourced, the concern becomes who would do the regulatory inspection/enforcement. Specialized training specific for inspection personnel would need to include the operation of motor vehicles on airports. The time and cost of this training would need to be realized as a component of overall implementation. Additionally, the legislation references coordination with the local Emergency Management Agencies (EMA). The EMA office may or may not be the applicable resource to draw from. LEO agencies may be better suited for reviews, depending on the specific individual County structure, again the one size fits all approach would be difficult to apply to our airport system.
- b. Should the proposed language be implemented, we need to ask if the legislation will expose the Commonwealth to the liability associated with an accident involving an aircraft in which the pilot did not remove one of the locks that are required on flight controls or other aircraft component. Gust locks, common to general aviation aircraft, have been sighted on more than one occasion to have been the cause of aircraft accidents due to the pilot's failure to remove the locks prior to flight. Also, should the example of the

propeller/chain lock be used, would the Commonwealth be liable for any damages to the propeller should the chain scratch the propeller, not to mention any metal fatigue failure that may result to the propeller? Compound the propeller damage to include engine damages and repairs and the costs and dangers increase even more.

- c. The Commonwealth should be encouraged to endorse the Aircraft Owners and Pilots Association (AOPA) "Airport Watch Program" and best practices that are in place today. AOPA, the TSA, airport industry groups and airports across the United States work on a regular basis to address a well coordinated and thought-out security solution that is applicable to the entire industry. Because aviation is a national and even international system in nature, the security of the same should be a nationwide standard. A legislative solution on a state level to a problem that does not exist will be a deterrent to general aviation within the Commonwealth.
- d. Given the significant number of public use airports in the Commonwealth, not to mention the many private airfields, the resources needed to inspect and enforce the proposed security plans would be a significant strain on existing resources, and would require the expenditure of valuable funds. The responsibility of enforcement of the proposed language is not identified. Further, the systems and controls that are identified in the proposed language would be burdensome and costly to maintain, and are currently without a funding source.
- e. The proposed language identifies that airports would be responsible for complying with the act. The additional inspection of aircraft locks is a

task/burden on airport operators that would require staff time/resources. Additionally, if the locks are interior to the aircraft, there would be no physical way to ensure the second lock is in place as that is not the responsibility of airport operators. Therefore, to penalize airport operators with the loss of department funding would be to establish legislation that is set to fail upon implementation, and airport improvements that are required to ensure safe operating conditions and improve facilities would not be funded.

- f. The proposed language is not clear as to who would be liable for any criminal penalty that may be imposed for non-compliance. Certainly the airport operator/sponsor should not be as they do not own/operate the aircraft. Additionally, in many cases an aircraft is owned by a group/club/corporation/person that may not necessarily be the same which is operating the aircraft, thus making the “guilty” party far more difficult to identify.

For the reasons outlined above, and for the betterment of the health of the aviation industry in the Commonwealth, I strongly suggest that the security plan and two lock rule currently proposed not be supported. Thank you for the opportunity to address the Committee on this matter.

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