

TESTIMONY OF GLENN RIZNER, HELICOPTER ASSOCIATION

INTERNATIONAL

Chairman Bilbray. Mr. Rizner.

Mr. Rizner. Mr. Chairman and Members of subcommittee, thank you for the opportunity to appear before you today to discuss an issue of continuing concern to the small business community, unfair competition.

I am Glenn Rizner, vice president of the Helicopter Association International, HAI, whose 650 regular members are by definition small businesses. Together these members operate 4,000 helicopters, flying 2 million hours per year.

HAI also has 600 associate members including some larger manufacturing companies, but predominantly this group also encompasses many small businesses.

I am appearing before you today representing Frank L. Jensen, Jr., the president of HAI, who, due to a prior commitment, was unable to attend. Mr. Chairman, HAI's testimony before this subcommittee on May 11, 1993 is a matter of record, statistically we were and we remain today very extremely concerned about Government encroachment into the private sector domain.

Please allow me to reiterate the three recommendations that were made at that time and which are still valid today. Our first recommendation asked that the General Services Administration which oversees the Federal excess personal property program be required to ensure that any Federal or State agency which acquires such property continue to use it exclusively for their own internal use.

Our second recommendation expressed our belief that the U.S. Forest Service which has transfer power for these aircraft be required to adhere to the guidelines of the Federal Property and Administrative Services Act.

In our final recommendation, HAI suggested that the National Guard be directed to enforce the use of National Guard assets for only those missions that appropriately fit into the mission statement of the guard and are not in conflict with those services available from the commercial sector.

Mr. Chairman, we believe that the problem of unfair Government competition has become worse in the past year. The increased pressure on the private sector has resulted from shortsightedness on the part of a few officials, mostly at the State and local level, who do not understand the macroeconomic considerations of Government competing with the taxpaying component of our Nation.

Additionally many in Government do not understand that encroachment results in the shrinkage of a tax base. Case in point

was recently demonstrated when a State lost its only full-time, privately owned aerial emergency medical services operation, and State officials stated that the National Guard could fill this role.

This fixation on Government entities stepping in to fill a void in services hinders the private sector's functioning in markets that it could and should easily serve. In the above example Government has reduced the opportunity for new commercial entrants into the market and for the private sector growth as well as reduced the source of additional tax revenue.

If I may, I would like to expand on our previous recommendations.

The first that the GSA must ensure the Federal excess personal property is not used against the private sector. As Government work forces facing shrinking budgets increase efforts to justify their continued existence, they attempt to broaden free services to the taxpayers.

In the State of California, for instance, many Government officials proclaim that the private sector lacks the capability to provide necessary aircraft to meet the State's aerial fire fighting needs. These officials state that without using Government aircraft, the State's fire suppression activities would be, "in serious trouble."

In truth private companies could easily do this job. Over 30 commercial helicopter fire suppression services - helicopter firms located in the west would welcome the chance to bid on providing the helicopter fire suppression services now provided by the State Department of Forestry, the CDF, and could do so at a competitive rate.

Once a Government entity has entered the private sector, it then faces market decisions based on its new and expanded role. These decisions lead to greater reliance on expanded operations to justify its budget.

In fact, public aircraft operators rationalize that they must be compensated for the direct operating costs of the aircraft, and therefore they ensure their ability to continue to provide the services. This compensation doesn't actually reflect the realistic operating cost and results in unfair competition because of artificially low rates that are often charged by the agency.

For instance, one private operator was reimbursed the exact same rate as a county sheriff for rendering aerial fire fighting services. However, while the sheriff had received his helicopter free under the public domain, the operator had paid \$1 million for his. The operator's compensation was allocated to debt service, manpower, equipment. However, the sheriffs department did not need to earmark the revenue for such expenses since the crew was already, quote, "on the Government payroll."

Also the sheriffs cost accounting did not need to show an imputed charge for habihty protection on the basis of being self-insured.

Today as the Department of Defense downsizes, an increasing number of county sheriff departments in particular are obtaining surplus excess military helicopters as the attached aircraft retirement schedule indicates. Over 3,000 surplus helicopters are targeted for disbursement by GSA to local governments.

These departments then act as commercial operators except their aircraft need not be and usually are not certified for civil use nor are they required to have licensed pilots. There are many more Federal regulations with which local and State government helicopters by definition public aircraft need not comply.

With the increasing number of helicopters being released into the public sector, our first recommendation becomes all the more important to ensure that the GSA is aggressively pursuing their oversight responsibilities.

Let me turn to our second concern. The Federal Property and Administrative Services Act attempts at protecting small businesses from Government encroachment. In the past the Government has contracted out to the commercial helicopter operators for most if not all of the aerial fire fighting services.

Historically the U.S. Forest Service has found it was not economically feasible to operate their own fleet and has relied heavily on the private sector with experienced pilots and certified and insured equipment.

Now, the excess helicopter program gives each State the opportunity to create its own aviation department with little thought to whether or not this is indeed more economical than contracting out.

Despite the Federal Property and Administrative Services Act requirement that excess property be acquired for internal use only, such as to put out fires on public held lands, operators have witnessed the CDF using these resources on fires occurring on Federal properties and requesting reimbursement from the U.S. Forest Service for their services. This places them in direct competition with commercial operators as well as in violation of the provisions of Federal Aviation Regulation Part 135.

Appropriate utilization of Government-operated aircraft remains a complex problem that requires objective review by State and Federal officials as well as qualified representatives of the private sector. To that end, HAI recommends that a joint Government/private sector meeting on the use of aircraft for fire fighting be conducted with the purpose and agenda as described in Attachment 4. Such a meeting is required to establish the correct balance between the private and the public sector entities which are needed to effectively fulfill the aerial fire fighting requirements.

Our third concern was enforcement of National Guard activities

to prevent encroachment into the private sector. Appropriate use of National Guard assets must be limited only to those tasks which fit the mission statement of the guard, that is to maintain combat ready forces and conduct Federal peacetime engagement operations as dictated by the President and Congress, and those that are not in conflict with the services available by commercial operators.

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When services which are normally performed by the private sector operators are carried out by the Guard at little or no apparent cost, the opportunity seems deceptively attractive. However, the taxpayer picks up the bill and the private sector is once more the victim.

When the Freedom Statue which once again sits above the Capitol Dome needed to be renovated, the National Guard offered their services to lift the statute from its perch. Taxpayers paid \$600,000 for the Guard to practice the statue lifting operation which the Guard classified as routine training. Erickson Skycrane did a turn-key job complete with liability insurance for \$60,000 without any practice required at all.

If the statue had been damaged or a person injured during the National Guard operation, the liability burden would have rested with the Federal Government and the cost once again shifted to the taxpayer.

In conclusion, an analysis of issues surrounding the public sector encroachment reveals a problem that has evolved over many years. According to the statement by former Senator Warren Rudman 10 years ago, capable private sector companies could take over many Federal programs saving in the process to \$1 billion a year for the Federal Government.

Today Government and its agencies continue to grow faster than the economy's ability to support them. As a percentage of economic output. Federal, State, and local government have increased by nearly one-third since 1960, from 26 percent of the GNP to nearly 37 percent today.

Potential Government monopolies are created many times through a pattern of creative accounting by Government agencies which badly skew the true cost of doing business.

Because of this the private sector is denied the opportunity to compete, the bureaucracy grows, and tax base erodes. It is a truly vicious and self-destructive circle.

HAI renews its support for measures which act to clearly define the line between public and private sectors. We believe the Government of the United States has the responsibility to preserve the market place for the private sector and must take all measures necessary to do so.

Action must be taken that will recognize the problems of the past and prepare for the challenges of the future. This will best be accomplished by protecting the private sector from Government encroachment.

Thank you, Mr. Chairman.

Chairman Bilbray. Thank you, Mr. Rizner.

[Mr. Jensen's statement may be found in the appendix.]

Chairman Bilbray. Mr. Milner