

Wal-Mart Air Fleet Gets Taxpayer Support for Controllers

Alan Levin, Laura Litvan & Renee Dudley, Bloomberg | AUG 13, 2013



U.S. taxpayers are increasingly picking up the tab for the control tower at an airport that's home to Wal-Mart Stores Inc.'s corporate fleet, at a time lawmakers say they want to ban perks for hometown interests.

Language inserted into a spending bill two years ago spared the world's biggest company by revenue from losing taxpayer-funded controllers to guide its approximately [20 jets](#) based in Rogers, Arkansas, near its Bentonville headquarters.

The measure was championed by two Arkansas lawmakers -- Republican Representative Steve Womack and Democratic Senator Mark Pryor -- whose biggest donors include Wal-Mart employees. Taxpayers were left responsible for a higher share of costs of operating the Rogers tower than called for by U.S. guidelines for low-traffic airports.

"In this time when we're trying to reduce deficits and find smart ways to cut what we're spending, here we are essentially giving a subsidy to a private corporation under the guise of air-traffic control," said Erich Zimmermann, senior policy analyst at Washington-based Taxpayers for Common Sense.

The measure shows lawmakers are still granting perks to special interests after banning earmarks to aid specific projects more than two years ago. It also demonstrates that support in Congress for the nation's 251 air-traffic towers staffed by contract workers instead of government controllers hasn't wavered, as a decline in flights has turned some airports into sleepy backwaters.

That point was underscored last spring, when [Congress forced](#) the Federal Aviation Administration to back off plans to close 149 contract towers under across-the-board spending cuts known as sequestration.

Preserving Funding

Rogers Municipal Airport, a one-runway facility dominated by business aircraft serving the Wal-Mart-based local economy, pays about \$100,000 a year less to run its tower than it would have through the original funding formula.

It's one of 16 U.S. airfields that had so few flights they wouldn't qualify to have a tower under the FAA's formula of costs and benefits.

To keep their towers, the airports have been required to pay a percentage of the costs of operating them. The lower they ranked in the cost-benefit review, the more they had to pay.

Before the bill passed, Rogers paid 31 percent of the cost of its tower, or more than \$130,000 a year, said airport manager David Krutsch. That represented almost one-third of the airport's annual budget of about \$430,000 at the time, a burden that may have forced it to shut the tower, Krutsch said.

Because of declining traffic during the economic recession in 2008, the airport's share of the tower's cost was expected to rise to 45 percent, or another \$60,000, Krutsch said.

Bad Idea

"We argued that pulling the plug on the tower in the midst of one of the worst economic crises in the history of our country was probably not the wisest idea," he said.

Pryor and Womack, a former mayor of Rogers, said they pushed for the measure because city officials asked for it and it helped the local economy. The [law](#), which capped the amount an airport would pay at 20 percent, lowered Rogers' share of tower costs to \$81,000 this year, according to FAA data.

Airport users such as Wal-Mart don't pay directly for the tower, which is staffed by four controllers. Wal-Mart gets revenue from airport operations through its ownership of a company that sells fuel to pilots and provides other flight services.

The airport funds its operation by collecting rents on facilities such as hangars and charging a fee on fuel sales, Krutsch said.

'Pure Pork'

Out of about 500 U.S. airports with a tower, Rogers is among the least used. It averages fewer than three landings or takeoffs per hour while the tower is open, typically from 5:30 a.m. to 7:30 p.m., according to FAA data.

The 13,933 flights at Rogers logged by the tower in 2012 were 43 percent below the total of 24,622 in 2000. It ranked fourth-lowest among airports with towers, according to the FAA.

At those levels, the airport may not need a tower, said George Donohue, a former associate administrator at the agency.

Pilots routinely land at airports without towers, using a radio frequency to announce themselves. In an era of across-the-board budget cuts, the U.S. needs to apply the cost-benefit tests to assess whether safety will be enhanced before subsidizing airport towers, he said.

“How can they get more subsidies, especially ones that don’t pass any standard cost-benefit analysis?” said Donohue, a onetime director of the Center for Air Transportation Systems Research at George Mason University in Fairfax, Virginia. “That’s pure pork.”

City Lobbied

Krutsch said the airport argued the FAA’s formulas were skewed. The airport’s preponderance of jet-powered planes meant that it benefited more from a tower than airports dominated by smaller piston-powered aircraft, he said.

Maintaining the tower was important for the area’s economy as well as the safety of flights, he said.

Krutsch said the city -- not Wal-Mart -- lobbied to cap the share it had to pay for the tower.

While Wal-Mart’s aviation team knew about the effort, it wasn’t involved, said Brooke Buchanan, a company spokeswoman.

“It’s something that we haven’t taken an active role in,” she said. “This is something that’s happened between the City of Rogers and the FAA, and the City of Rogers and Congress.”

While Wal-Mart believes that the tower enhances safety at the airport, it would continue operating there if the tower closed, Buchanan said.

An FAA review showed no decrease in accidents and deaths at airports with contract towers compared with when they operated without controllers.

Past Support

Wal-Mart has benefited from government support before. In 1998, President Bill Clinton, a former Arkansas governor, opened Northwest Arkansas Regional Airport in Bentonville, which had long been sought by Wal-Mart founder Sam Walton, according to the airport’s website. Congress in 2005 approved \$37 million to improve the road to Wal-Mart’s headquarters, according to Taxpayers for Common Sense.

Wal-Mart has made extensive use of private aviation since Walton, a pilot, took a small plane to scout new store locations and to visit existing ones. Walton, who died in 1992, flew out of Rogers, the town where his first store opened.

The company started Beaver Lake Aviation there in 1986, according to its website. The [subsidiary](#) sells aviation fuel, caters planes and has quarters in which pilots can rest between flights.

Largest Fleet

Wal-Mart had the world's largest private fleet of jet-powered corporate aircraft in 2006, Duane Futch, the company's director of global travel services, said in an [interview](#) that year with Business Travel News.

The company's 19 jet-powered corporate aircraft registered in the U.S. made 4,118 flights to and from Rogers from Jan. 1, 2012, through May 10, according to FAA data obtained by Bloomberg. That accounted for as much as 22.6 percent of flights during the period, according to the FAA.

While Krutsch said he couldn't estimate how much of the airport's remaining traffic is related to Wal-Mart's vendors and business partners, he said as much as 85 percent of flights there are ferrying executives for business. Other area firms, such as JB Hunt Transport Services Inc. and Tyson Foods Inc., also draw airport traffic, he said.

Arkansas officials jumped into the fight for a cap on airport-tower expenditures in about 2009, Krutsch said, shortly after local representatives from Walla Walla, Washington, raised the issue with their own lawmakers.

'Unique' City

An initial proposal would have capped only airports with airline service, he said. Without scheduled passenger carriers, Rogers advocated for a limit that applied to any airport that had to pay more than 20 percent of a tower's costs. Only five airports qualified, according to FAA records.

The stakes for lower-volume towers extend far beyond those five airports, said David Byers, a professor at the University of Nebraska who's a consultant to airports with contract towers.

Rising expenses for operating towers combined with falling flight totals means as many as 90 airports would have to begin paying a share of the FAA's costs if the agency updated its cost-benefit figures, he said. The FAA hasn't run the formula for most airports since 2006.

The FAA announced in April that it was reconsidering how to measure the costs and benefits of contract towers.

If Wal-Mart didn't lobby on the matter, its interests weren't far from the minds of the lawmakers pushing it.

"My city was unique because I happen to have a pretty sizable five-and-dime company there that has its fleet of aircraft based there and a lot of vendor traffic coming in and out," Womack said at a March 8, 2012, hearing of the House Appropriations Committee's transportation sub-panel.

'Next Door'

Womack, who had helped Rogers' airport get the tower opened in 2005 while he was mayor, said in an interview that he took the lead on getting the cap passed in the House.

"It's an economic-development tool for our community and for the region to have the ability to put a lot of jet aircraft in and out of the airport for the purposes of being able to conduct business with the world's largest company," he said.

Pryor said he and Womack were urged to sponsor the measure by officials in Rogers. “Wal-Mart is in Bentonville; Rogers is right next door,” he said. “The companies that come in to talk to Wal-Mart tend to use that airport.”

Pryor and Womack said the measure wasn’t an earmark under rules adopted by lawmakers because the 20 percent cap applied to all airports.

Most Vulnerable

Since Pryor was re-elected in 2008, the company has been his No. 6 contributor, according to data compiled by the Center for Responsive Politics in Washington. Wal-Mart’s political action committee and individual employees have given \$32,500 to his re-election bid and his leadership PAC, called Priority PAC, which he uses to donate to other lawmakers.

Pryor faces a tough re-election battle next year in a state that gave Republican presidential nominee Mitt Romney 61 percent of its vote in 2012, according to political analyst Stu Rothenberg. Pryor is the Senate’s most vulnerable incumbent Democrat, Rothenberg said.

Wal-Mart’s employees have been Womack’s biggest donors since he first ran for Congress in 2010, giving \$88,500 to his election bids and his Razor PAC, according to the center.

Lawmakers often try to help local employers, especially large ones, without the benefit of campaign contributions, said Bill Allison, editorial director for the Sunlight Foundation, a Washington-based watchdog group.

“But obviously Wal-Mart lobbies and makes campaign donations,” he said. “And the last thing any member wants is to be on the wrong side of Wal-Mart in Arkansas.”

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