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FAA REAUTHORIZATION

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

APRIL 10, 2003

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ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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FAA REAUTHORIZATION

THURSDAY, APRIL 10, 2003

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 9:30 a.m. in room SR–253, Russell Senate Office Building, Hon. John McCain, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN MCCAIN, U.S. SENATOR FROM ARIZONA

The CHAIRMAN. The purpose of today's hearing is to consider S. 824, the Aviation Investment and Revitalization Act. This legislation was introduced earlier this week by Senators Lott, Rockefeller, Hollings, myself. S. 824 would authorize the Federal Aviation Administration for 3 years, authorize funding levels for the FAA's major programs, authorize funding for aviation security capital costs at airports, and make policy changes to a number of the FAA's and the Department of Transportation's aviation programs.

It is our intention to mark up this bill soon after we return from the April recess and to have it ready for floor consideration during May. I believe that this is a critically important bill for the aviation community, which is facing very, very difficult times. The industry is in a crisis that deeply concerns this committee. However, we must be equally concerned about the FAA and its programs, and work to ensure that our Nation's aviation system has proper oversight.

Our aviation system has been the leader in safety and efficiency. We must act this year to ensure that this remains the case. This bill continues the investments in the aviation system that began under AIR–21. We have made great progress in capacity and infrastructure improvements, but we must work to ensure that infrastructure is further improved, our safety is maintained, and the security of our aviation passengers remains a priority.

We must also ensure that the FAA manages its resources wisely. This bill includes provisions first proposed by former Administrator Garvey and endorsed by the current administrator to improve FAA management. The FAA's management of its programs, especially its modernization efforts, will continue to be of particular concern to this committee.

I am also concerned about the diversion of Airport Improvement Program funds away from safety and capacity projects to fund security improvements. While security is paramount, Congress never intended a substantial portion of AIP funds to be applied to secu-

rity projects. To address this, S. 824 includes a new aviation security capital fund to finance such security costs and to reduce the funding pressure on AIP.

Finally, I remain concerned about competitive issues in the airline industry. While the industry has strong low-cost carriers which act to ensure a competitive marketplace, there are still competitive issues that must be addressed. I look forward to working with the members of this committee on these issues as we move forward with this bill.

I want to thank Senator Lott, the Chairman of the Aviation Subcommittee, for his hard work, as well as Senator Hollings and Senator Rockefeller and others who have been involved in this issue. And I now recognize Senator Lott, who is the Chairman of the Aviation Subcommittee, for his comments, and then Senator Smith and Senator Fitzgerald.

STATEMENT OF HON. TRENT LOTT,
U.S. SENATOR FROM MISSISSIPPI

Senator LOTT. Thank you, Mr. Chairman, for having this hearing today. It keeps us on track to move forward toward getting this legislation completed as soon as possible so that we do not get caught in the traffic jam as we get into the summer and the fall. The legislation, of course, does expire at the end of Fiscal Year 2003, so it will be very important that we go ahead and complete this action.

It has been a pleasure working with Senator McCain. I have enjoyed working with Senator Rockefeller and Senator Hollings to develop this preliminary bipartisan bill that will reauthorize FAA. We hope that when we hear from the Administration officials today we can further consider any necessary modifications to the legislation and be ready to go to a mark-up when we return from the Easter recess, as the chairman just said, and that would make it possible for us to possibly have this legislation considered later on that week, or the first week in May.

I want to thank the Administration for coming forward with their recommendations. While we obviously would not agree 100 percent with those recommendations, it was important we hear from the Administration before we developed the legislation, and you have cooperated with that, and I thank our witnesses here today and the Administration for doing that.

This bill does include numerous provisions that will help sustain and enhance safety, security, efficiency, and competition in the national aviation system. It will give some reliability, because it will be a multiyear program. We need to discuss exactly how many years that should be, but that in itself gives reliability to the industry and some certainty that I think would be helpful.

We are particularly interested in the Airport Improvement Program. It is very critical to our airports as they plan for construction projects such as runways, taxiways, aprons, noise abatement, land purchase, safety, and—since 9/11—security. As we have discussed, $500 million of the IAP funds have gone into security. There has been some suggestion that that amount would be needed again this year. Senator McCain and I have both indicated we have serious reservations about that, because the AIP funds have a purpose, and if we divert $1 billion to security, then we are putting a lot

of other programs on hold, or delaying them, which could create other problems, including safety.

The Essential Air Service program is a very important part of the AA reauthorization. Right now we are basically saying we will extend the existing program, but we are going to need to look at that and work with the Administration, work with the Senators on this committee on both sides of the aisle to come up with some improvements.

For instance, we do know that the total passenger traffic at EAS subsidized communities decreased by 20 percent since 1995, and the median number of passenger enplanements fell to an estimated 10 per day, just over three passengers per flight.

Now, I am from a State where obviously EAS is important. In order to have the total package of access for our constituents, some of these smaller airports do need this EAS program, but we need to look at how much is going to be authorized, how much of a local match is going to be required. The Administration actually considered, or recommended 25 percent local match except for communities that were more than 210 miles from the nearest large or medium hub, in which case it would be 10 percent match.

I do personally support the idea of some match. I think airports, these local airports provide a benefit to the local people, it provides jobs. They can and should make some contribution to the program, but that is an area where when you look at the make-up of the Committee, a West Virginia Senator, Maine, Mississippi, North Dakota, Hawaii, Alaska, we all have very strong feelings about how this program should be run.

I would also like to see the continuation of the Small Community Air Service Development Pilot Program. I think it has worked well. In Ms. Van de Water's—I believe it was your testimony earlier—you said we only authorized 40 communities of $20 million, and basically you have committed to that and can go no further. Those grants have, I think, provided some incentives for these communities like one in my own State to do more on their own and use this program and benefit from it, and so I hope we can look at that, but the most important thing, Mr. Chairman, is for us to have this hearing, hear further from the Administration, have a chance to ask some questions, and then move toward a package that we can report out and send to the floor. And I thank you again for giving me the opportunity to work hard in this area and have the hearings we have had. I believe we have laid the groundwork to produce a good bill.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, I congratulate you for outstanding work, Senator Lott. Senator Smith.

STATEMENT OF HON. GORDON SMITH,
U.S. SENATOR FROM OREGON

Senator SMITH. Thank you, Mr. Chairman. This is a very important hearing to reauthorize the Federal Aviation Administration. It is my belief that this bill must promote safety and economic growth while improving aviation capacity and mobility. I want to urge my colleagues that as we review the FAA's major Federal programs we need to provide the necessary authorization for funding for trans-

ponder landing systems and radar coverage to small community airports.

For example, in Central Oregon, adequate radar coverage is becoming a very significant issue to users of six—and I repeat—six nearby airports which support both commercial and general aviation users. Flight safety has become a major regional concern, and Central Oregon's lack of digital radar coverage is seen as a liability to further growth in commercial carriers, and continues to hamper air accessibility to a large geographical region. It frequently experiences inclement weather.

Currently there is no radar below 8,000 feet in the entire region, and only one aircraft can be in the air space under IFR conditions at a time. The FAA began survey and design work for a Central Oregon digital radar in Fiscal Year 1999. That site study is now complete, and the installation of the facility is now ready to proceed. It is my understanding that the FAA Air Traffic Division has decided that Central Oregon does not meet the criteria for purchase and installation of the radar in the region, and bases this information, I believe, on inaccurate FAA data, so I would plead with the Secretary, Secretary Blakey, to help me resolve this. The longer the FAA delays the radar to be installed and operated in Central Oregon, the more dangerous that air space is going to become.

I would like to make sure we are on the same page as to the criteria by which this decision was arrived at, because I see a real problem in Central Oregon and would like to resolve it. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Fitzgerald.

STATEMENT OF HON. PETER G. FITZGERALD, U.S. SENATOR FROM ILLINOIS

Senator FITZGERALD. Thank you, Mr. Chairman, and thank you for convening this hearing. Ms. Blakey, thank you so much for being here, and Ms. Van de Water and Dr. Dillingham. We look forward to hearing from you. I think this hearing is extremely important, as I believe how we go about reauthorizing the FAA and what path we choose to take in expanding capacity for aviation in this country is extremely important.

As you know, this has been an enormous issue in my State of Illinois, and particularly in the city of Chicago. Sometimes I feel like I am more an aviation commissioner than a Senator coming from the State of Illinois, but there are big issues here, and one of the concerns I would say at the outset that I have about the proposed legislation is that I am afraid we may be going too far in the direction of just expanding existing airports.

I do not think we want to foreclose the possibility of building new airports in this country. I wonder, if this legislation had been in place, whether Dallas-Fort Worth would have ever been built, or Denver would have ever been built. We might have just expanded Love Field and expanded Stapleton, and I do not think that those would have been the right solutions.

Now, no aviation hearing in the Commerce Committee would be complete if I did not bring up O'Hare, but this is germane, and it is directly on point, because in recent days, The Chicago Tribune ran a front page article that disclosed that the city of Chicago's

own studies and own modeling, that they have now filed with the FAA with respect to O'Hare, show that the whole O'Hare plan that they tried to lock into law last year would not get anywhere near the capacity they were promising, and it would not have cut down delays.

In fact, they stopped their modeling at a certain point because delays got so bad, the runways would be so close together that three of them would be closed down in bad weather, and the problem with getting more capacity out of existing airports, at least in the case of O'Hare, is they do not have enough land. You need a lot of space to get more capacity, and in the case of O'Hare they only have 8,300 acres. They were going to put the runways 1,200 feet apart.

Well, those runways are going to have to be shut down in bad weather, and certainly you have the operators of existing airports, wherever they are in this country, they do not want new airports coming in, and since deregulation, passenger travel has gone up something like 200, 300, 400 percent, but we have built only Dallas-Fort Worth and Denver International Airport. We have not added new airports.

So I am very concerned about the issue of, are we going to build some new airports? We desperately need capacity. I know I have been a crusader the last few years on Chicago, that we get more capacity more quickly at far less cost, about a third less cost, by going forward with a third airport, so I hope we do not go so far down the road that we are foreclosing the possibility for additional airports in this country, and I know there are lobbies that do not want additional airports. That includes the hub carriers who have a dominant market position in the city, or maybe the Airport Operators Association, which I understand was very involved in drafting this bill. They do not want new airports, but we have got to be very careful here, because this is a very important issue.

And with that, Senator McCain, thank you very much. Incidentally, I did leave on every Senator's desk a couple of articles on that issue, because we did the right thing by not passing that bill last year. We would have locked into law a big waste of money with respect to O'Hare.

Thank you.

The CHAIRMAN. Thank you very much. It is always good to get an update on the status of O'Hare Airport, and we thank you, Senator Fitzgerald. Many of us have to use that airport, so we are very pleased.

Senator Rockefeller.

STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM WEST VIRGINIA

Senator ROCKEFELLER. I will be brief. I have my information on O'Hare, and I tucked it right over here. I am very proud to be a cosponsor of S. 824. I really enjoy working with Senator Lott as my new compatriot, and there is a lot of good stuff, the fact that EAS is continued. But on the other hand, Senator Lott and I, we have sort of agreed to talk about the program as we go forward. We are going to work together on that.

I like the fact that AIDP—or the Small Community Air Service Development Pilot Program now—is continued and expanded, and I look forward to working on this, Mr. Chairman. We did this once before, and we can do it again. We have to protect all our communities.

The CHAIRMAN. Thank you, Senator Rockefeller. Thank you for your outstanding work on this legislation, as you have been on many other aviation issues before this committee.

Welcome, Ms. Blakey.

Senator BROWNBACK. If I could, Mr. Chairman——

The CHAIRMAN. I apologize, Senator Brownback. I thought you were still in mourning because of Kansas' loss and I did not know if you were ready to speak yet.

[Laughter.]

The CHAIRMAN. I apologize.

STATEMENT OF HON. SAM BROWNBACK, U.S. SENATOR FROM KANSAS

Senator BROWNBACK. But I am still celebrating that Arizona victory we had.

[Laughter.]

Senator BROWNBACK. That was one of the richest ones we have had.

The CHAIRMAN. That is what you get.

Senator BROWNBACK. I thought that is why you overlooked me, you were still mad about that.

[Laughter.]

Senator BROWNBACK. Thank you, witnesses, for being here, and I thank the chairman for holding the hearing. I appreciate this. It is an important topic. I want to focus on one narrow area, continuation and research, to be able to continue to lead the world in the aviation work that we do.

The United States has revolutionized the way that people travel, developing new technologies and aircraft to move people more efficiently and more safely around the world. Past Federal investment in aeronautics research and development has benefited the economy and national security of our Nation. The total impact of civil aviation on our economy exceeds $900 billion, 9 percent of the gross national product. Future growth in civil aviation will be increasingly constrained by concerns related to aviation system safety, security, aviation system capabilities, aircraft noise, emissions, and fuel consumption.

Last year the Commission on the Future of the U.S. Aerospace Industry recommended to Congress that the United States bolster investment in aeronautics and aerospace research. U.S. leadership in aerospace is threatened by our international competitors. The revitalization and coordination of our efforts to maintain leadership in aeronautics and aviation are critical and must begin now. Global leadership in aerospace is a national imperative.

I have worked with Senator Hollings on introducing a bill regarding this issue. I would just point out to the Chairman and my colleagues on the Committee, the aviation manufacturing industry is centered in Wichita. They are increasingly concerned about their loss of global edge in the research and the development of cutting-

edge technologies. They are fearful, that they are seeing loss of these jobs systemically going to places willing to invest in the research and development of new engines, new wings, and new products to come along.

I think we have got to match and meet that challenge for us to be able to sustain our leadership in the field that we started 100 years ago with the Wright Brothers. It is important that we invest in that research agenda, and invest heavily.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Brownback.

Ms. Blakey, who is the Administrator of the Federal Aviation Administration, and Ms. Read Van de Water, Assistant Secretary for Aviation and International Affairs, U.S. Department of Transportation, and Dr. Gerald Dillingham, Director of Physical Infrastructure Issues, General Accounting Office.

Could I ask the witnesses as a part of their statement to address this issue that all of us have alluded to, and that is this tension now between funds for security and funds for continued aviation improvement and expansion. I think that is a major concern and challenge we are going to have to deal with.

Welcome back, Ms. Blakey. Thank you, and please proceed, and all of your written statements will be made a part of the record.

STATEMENT OF HON. MARION C. BLAKEY, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Ms. BLAKEY. Thank you very much, and I do want to say how pleased I am to be back here able to discuss the reauthorization of the FAA with you all again.

Chairman McCain, Senator Lott, all of those on the Committee who have worked so very hard on this reauthorization effort, I do want to say thank you, and I am pleased to be able to discuss the Administration's proposal, The Centennial of Flight Aviation Authorization Act, or Flight–100.

I would like to start by thanking Secretary Mineta, thanking Deputy Secretary Michael Jackson, Read Van de Water, Jeff Shane, and so many people in the policy shop who worked hard on this long before I got to FAA. A great deal of thought has gone into the Administration's proposal, and so I am pleased to have a chance to capitalize on that.

I was particularly pleased to see that the leadership of this committee has fielded a reauthorization proposal as well. I think it is very striking that while we have not had an opportunity to analyze it in real depth, there are many areas of shared vision, of like concerns in these proposals, and I think it gives us a tremendous way to work together to build on those concerns.

I would particularly highlight there the issue of increased support for small airports, that is very clear in both of these bills, concern for the way we are developing our flight service from that standpoint, and our effort to reduce aviation's impact on the environment both through having a coherent, streamlined process and looking for ways, through research and elsewhere, to mitigate the effect.

I think there is also a shared concern on all of our parts to address Senator McCain's concern and all of your concern about secu-

rity in that we do understand that AIP funds are being tapped and stretched to address security issues. As many of you know, roughly $561 million last year went into additional security-related projects at the airport. We are prepared this year to come forward with similar sums.

It is very clear from the early applications that we are getting from our airports around the country that that is their need, that is their request, but I think we all understand at the same time that while we are trying to get over a certain hump at this point in terms of security needs, we cannot sustain it at this level within AIP funding and still meet the kind of ongoing maintenance, much less capacity and safety improvement, that we all believe AIP funds need to address, so I think it is a shared area of concern.

Now, having said that, let me briefly talk for a moment about the proposal I know the best, and that is Flight–100, the Administration's proposal. It also builds on AIR–21, and I think this is a very fundamental point here, because this committee and the Congress did formidable work with AIR–21. That statute resulted in real innovations in safety, and the environment, and significantly increased funding. I think we are very much on board with saying that provides the foundation and both the continuity and stability that I think the industry needs right now in terms of moving forward.

Given the state of the aviation industry, I would make one point right up front. The Administration's proposal does not have any additional new taxes, no new economic demands on the industry, no financial burdens on the flying public that are additional, and I think that is important to say.

We are following the lead of AIR–21 elsewhere and, of course, that means first and foremost we are highlighting improvements in safety. The funding levels there will allow us to support important infrastructure improvements, safety initiatives, and yes, important safety research. I was very pleased to hear Senator Brownback's concern about research broadly, and I would highlight that as a feature of our bill.

Second, Flight–100 does expand environmental streamlining initiatives really by providing, I think, greater efficiency in that review. This committee has identified this as a real priority, and we see it as a cornerstone of Flight–100. Our proposal gives the FAA the ability to look at critical safety recommendations in a timely manner when it comes to our airports, and designate those projects as priorities in terms of environmental review.

It also is a way of dropping back protracted decisions. I think if we all look back on the summer of 2000 gridlock, we will all acknowledge that a lot of that very slow decisionmaking really was a major contributor to the gridlock, and we have got to avoid it.

I want to, though, go back to commending the Committee on taking the lead on this issue of environmental streamlining both in AIR–21 and subsequent deliberations you have had, and now in your current bill. I do think this is very important.

We are also proposing some new initiatives that I would like to see the Committee consider strongly, and they have to do with mitigating the effects of not just noise, but emissions when it comes to aviation's impact on the environment. For example, we propose

to establish voluntary programs to reduce aviation emissions by converting airport infrastructure, and here I am talking about vehicles, any of the sort of power plants that could contribute to this, and airport-owned ground support equipment to new low-emission technologies.

We also hope to increase prospective homebuyers' awareness of potential noise before they move close to airports. They need to know from Federal lenders what the noise factors are, and this needs to be something that we require.

We are also looking to increase our commitment on the capacity front by proposing adjustments in AIP formulas that allow us the discretion to focus resources on projects of national significance. We think it is very important that we ensure that needed capacity-enhancing projects at the Nation's most congested airports will be funded by an increasing amount of discretionary dollars, and I would like to highlight that again in our bill.

We have got an important opportunity. I think we have all talked informally about this together. With the decrease in traffic, we have a chance to catch up from a capacity standpoint, and we need to take that opportunity.

Then finally, just as in the reauthorization proposal that you have introduced this week, assistance to smaller airports is a focal point of Flight–100. I understand the pressing needs of these airports. You all have talked in great depth about this, and I do appreciate the fact that we have all got to step forward on it. Our proposal provides additional money to help smaller airports through the kinds of market fluctuations, and the periods of declining traffic that they are experiencing right now.

Non-hub airports will be permitted to use entitlement dollars to fund security-related requirements as well, and here I am talking about, ongoing operating problems. Small airports should not be required to choose between improving airport security and funding other important projects.

Mr. Chairman, I understand this committee is planning a very aggressive reauthorization schedule. Senator Lott has talked with me about this in detail, and I am delighted. I would like to end my remarks simply by emphasizing the Administration's commitment to work closely with you for our shared goals in aviation.

Thank you very much.

[The prepared statement of Ms. Blakey follows:]

PREPARED STATEMENT OF HON. MARION C. BLAKEY, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

Chairman McCain, Senator Hollings, members of the Committee, thank you for the opportunity to appear before you today to discuss the Administration's proposal to reauthorize our aviation programs. Recently, I testified before you on the state of the Federal Aviation Administration (FAA). The question I was most frequently asked at that hearing was when the Administration's reauthorization proposal would be made available. I am happy to report that on March 25, 2003, Secretary Mineta sent to Congress the Administration's reauthorization proposal, the Centennial of Flight Aviation Authorization Act, or Flight–100.

I would very much like to thank both Secretary Mineta and Deputy Secretary Michael Jackson for their tireless efforts in developing and clearing this proposal. I would also like to thank them for challenging all of us at the Department of Transportation (DOT) to be Safer, Simpler, and Smarter. These three principles developed by the Secretary not only form the basis of Flight–100, but they also describe a De-

partment that puts a premium on performance, flexibility, and accountability. And we at FAA intend to do our part to meet the Secretary's challenge.

I am also grateful for the dedication and input of Under Secretary Jeff Shane and his Policy office since, when my tenure as Administrator began, the development of a reauthorization proposal was already under way. To that end, we believe the Administration's proposal will serve as a strong foundation for the development of reauthorization legislation.

When the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR–21) was passed almost three years ago, it contained some truly innovative provisions that improved safety, airport development and system efficiency. It was landmark legislation that has provided a firm foundation upon which to build. The Administration's reauthorization proposal does just that—it takes its direction from AIR–21 and proposes a four-year authorization that would continue investment in safety, air traffic control modernization and operations, airport capacity improvements, and environmental stewardship.

With AIR–21 as a foundation, let me take a moment to describe for you the substance of our proposal.

Funding Levels

Because safety remains our number one priority, continued investment in the aviation system is critical. Although the devastating events of September 11th continue to impact the number of people flying in this country, recovery of the system is inevitable. As I discussed with you when I last testified before this committee, the temporary downturn in air travel affords us a great opportunity to continue to focus on increasing airport capacity without unacceptable disruption to the system. Under AIR–21, the annual authorized levels for the Airport Improvement Program (AIP) increased substantially, and FAA's other accounts also received appreciable increases. The funding levels the Administration recommends for AIP, Facilities and Equipment (F&E), and FAA Operations will support the achievement of several goals. They maintain the level of investment for major airport capacity projects that provide great benefits to the National Airspace System (NAS). They enable us to continue to update the NAS infrastructure, expand air traffic control automation and communications tools, and implement needed operational capability and risk-mitigating precision landing navigation. They support implementation of FAA's Operational Evolution Plan (OEP) and efforts to accelerate airspace redesign, sector reconfiguration, and chokepoint solutions.

Although the proposed funding level for Research, Engineering and Development represents a decrease from current levels as a result of the transfer of security technology responsibilities to the Transportation Security Administration (TSA), Flight–100 reflects our continued focus on safety in FAA's research program. FAA also benefits from a significant amount of forward-looking research funded by the National Aeronautics and Space Administration (NASA) that is aimed at improving the long-term safety, security, and efficiency of the national airspace.

I believe these funding recommendations are sound and represent a strong signal that investment in safety and in the NAS is critical to a healthy economy and the future of the country.

Programmatic Changes

With respect to the AIP, Flight–100 places major emphasis on helping smaller airports and projects of national significance. Therefore, the Administration proposes a restructuring of the formulas and set-asides to allow more funds to be targeted to those airports and projects with the greatest dependence on Federal assistance. In Fiscal Year 2004, our proposal would transfer more funding than in Fiscal Year 2003 to small airports. These airports are essential to the vitality of the NAS and have limited funding options other than Federal assistance. We estimate this funding shift to be approximately $87 million. We also recommend simplifying the grant formulas by eliminating unnecessary or outdated set-asides. For example, the set-aside for the Military Airport Program was created to ensure funding when it was a new concept and it was unclear if it would compete well for grant dollars. Today, the program is well established and its airports routinely receive more than the amount guaranteed by the existing formulas. The changes we propose will have the effect of increasing the amount of discretionary funding available, which we believe is essential to help fund the key capacity projects in our national system that we all agree are necessary to prevent future gridlock.

Just as the Committee leadership has identified environmental concerns as a priority in their reauthorization proposal, the Administration's environmental concerns are cornerstone of Flight–100. While FAA's primary mission is to ensure a safe and efficient NAS, we also take our environmental responsibilities quite seriously. The

environmental initiatives in this proposal will contribute to continued success of our investment in safety and capacity projects by providing for prompt and more effective environmental review of significant projects while continuing to exercise strong environmental stewardship. I know that environmental streamlining is a top priority for this committee and I look forward to working with you to meet our mutual goal.

We also propose new initiatives to mitigate the impacts of aviation emissions and noise. For example, we propose to establish voluntary programs to reduce aviation emissions by converting airport infrastructure, airport vehicles, and airport-owned ground-support equipment to new low emission technologies. In addition, our noise initiatives include using some of the AIP noise set-aside for research aimed at reducing community exposure to aircraft noise or emissions. We also hope to increase prospective homebuyers' awareness of areas near airports that are exposed to aircraft noise by requiring federal lenders to inform prospective homebuyers of properties within airport noise contours.

The aviation insurance program authority in chapter 443 of title 49 is scheduled to expire at the end of 2003. In the past, reauthorizations of the program were enacted periodically and, if the program lapsed between authorizations, the lapses were brief and without incident. In the current climate, however, a lapse in the defense and foreign commerce related program could have extreme consequences. To avoid that future possibility, Flight–100 would repeal the periodic renewal requirement of that portion of the program, thereby making it permanent. The provisions that enable DOT to offer insurance to airlines flying within the United States would be extended for a two-year period and would be subject to the reauthorization process at that time. Of course, the actual provision of insurance will remain at the discretion of the President, based on a Presidential Determination Order.

Our proposal sets forth certain structural reforms that could assist agency efforts to transform air traffic control and its supporting functions into an effective, performance-based Air Traffic Organization. The structural reform provisions in our reauthorization proposal would reinforce this goal by clarifying and enhancing management reforms that Congress has already put in place for the FAA.

Increasing FAA's International Profile

Recently, I made a commitment to you, the agency, and the aviation community that I would work to increase the FAA's international profile. We all have an obligation to continue to look for innovative ways to use our resources to improve worldwide aviation safety while maintaining our leadership role in the international aviation community. Toward that end, I recently created a separate International Office. Mr. Chairman, although FAA faces numerous international challenges over the next five years, I am confident that we will succeed in increasing our leadership role.

Defenders of the Homeland

Finally, for over a year and half Congress, and particularly this committee, has appropriately focused on security matters. At this time, I would like to note that the shift of FAA's former security programs to the TSA was a smooth one. FAA continues to work closely with TSA even as TSA has transitioned from the Department of Transportation to the Department of Homeland Security. Although FAA's role with respect to security has changed, we remain defenders of the Homeland in a very real sense. Security remains a vital component of safety. The current threat level means we all have a role to play in protecting our country. On behalf of the FAA, I am committed to continuing to work closely with TSA to protect our country from having aviation used against us as a weapon of mass destruction.

Conclusion

In conclusion, I believe that the Administration's proposal will serve as a strong foundation for aviation reauthorization and I look forward to working with this committee and industry stakeholders towards the development of legislation.

This concludes my prepared statement. I am happy to answer your questions at this time.

The CHAIRMAN. Thank you, Ms. Blakey. Ms. Van de Water.

STATEMENT OF HON. READ C. VAN DE WATER, ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION

Ms. VAN DE WATER. Thank you, Mr. Chairman, Senators. I am pleased to be here this morning to discuss one part of the reauthor-

ization proposal, and that is that of Essential Air Service and service to small communities, a very high priority for the Administration.

My experience involving the EAS program has reinforced for me the absolute need to reform how the Government supports small community service and transportation. Without fundamental changes to the way the Federal Government addresses these transportation issues, communities will have little, if any, control over the service that is provided, and the service in many cases may be only partially responsive to the community needs.

Moreover, there is no doubt that it will be increasingly more expensive for the Government to support these services. Even before September 11, which affected air service throughout the country, but certainly small communities greater than others, the cost under the EAS program had grown tremendously, but the use of the services still remained poor.

Since September 11, we have received 44 notices of the last service at a community which will trigger a hold-in subsidy for most of those communities. There are about 70-some communities left that have single-carrier service that could enter the EAS program statutorily at any time, and we have no say-so over that.

In the Flight–100 proposal that the Administrator has outlined, the Administration has proposed a comprehensive new program for small community transportation service that will change both the dynamics and the participants in the process, and all for the better, we think. The key substantive reforms in the program go to the heart of what has been recognized as a significant omission in how we address small community transportation, and that is participation by the communities themselves.

First, we will ask communities to participate directly in developing a plan for responding to their transportation needs. Throughout the history of the program, the Federal Government has determined what services the communities will receive, and judging from the number of calls I receive from people in the community and people here in Washington, most of them do not like it.

Under our proposed reform for small community transportation service, communities for the first time will take a leadership role in designing the services that best meet their individual community's needs, rather than the Federal Government. We think that communities themselves are in the best position to know their needs, and their ability to support the service to meet those needs.

By participating in the design of the services provided, the community and the Government can help ensure more effective decisions on how best to address those needs. Our experience with the Small Community Air Service Development Pilot Program has confirmed the strong desire of communities to be active participants in this process. And a GAO report on small community service that I suspect will be addressed momentarily, also emphasized that service initiatives are the most successful when the communities have had active participation in the process.

Second, we want communities to have flexibility in meeting their transportation needs. Traditional EAS service has been one-size-fits-all, two or three round trips a day to a designated hub with a small aircraft. In the early stages of EAS, that system worked rel-

atively well, but as a result of the growth and evolution of air service and over the 25-years since, including expanded hub-and-spoke systems, the recent growth of low-fare carriers and changes in regional air carrier services, this model is no longer a good template for us to use.

Our proposal provides communities a broader range of options available to address their air service needs, including less frequent or charter service, use of smaller aircraft, ground service alternatives, and regional service initiatives. Again, our experience with the pilot program has been very instructive. Many communities recognize that their needs have changed, and that a broader range of options may be the difference between successful service and service that is rarely used, as, in general, the EAS service is now. Greater flexibility will make it possible for communities and the Government to respond more effectively and efficiently with the service the community needs.

Third, communities will be asked to participate financially in their service plans. We know this is the most controversial part of our proposal, but we believe that the service at small communities will be more effective if the community is a full partner with the Government, and in addition to drawing up the proposal and taking a leadership role in that side, we ask for support for that service, support not only in ridership, but also financially.

As a stakeholder in the transportation, the community gains greater control over how the service is provided, and its potential for success and, of course, the amount of community contribution, as you have seen in our proposal, would be determined by the degree of isolation.

In last year's grant process, over 70 percent of the communities in the small community pilot programs were prepared to contribute at least 10 percent of the proposed initiative. Nearly half were prepared to contribute at least 25 percent. I want to emphasize that we recognize that there are certain circumstances under which a community might not be required to make a financial contribution due to special geographic considerations, and we would be prepared in the Secretary's Office to address those on a case-by-case basis.

In summary, under our new program, all communities that are now part of the EAS program would be eligible to stay so, as long as they contribute toward the cost of their service. These EAS communities will have the opportunity to enhance their service with more frequency or larger equipment as long as they increase their contribution to the service, and communities closest to jet service would be eligible for surface transportation only at a 50–50 match with the Federal Government.

Communities more than 210 miles from the largest hub, large or medium hub, or those who are not accessible to a large or medium hub, would be eligible for only a 10 percent match. All other communities would be eligible for a 25 percent match.

Small communities that are not currently in the EAS program would have the opportunity to seek financial assistance to facilitate their transportation needs as long as they make a 25 percent match, and we are pulling from part of the Small Community Air Service Development Pilot Program in that initiative, but we think these changes will require communities and States to rethink care-

fully their air transportation needs as well as the most effective ways of meeting those needs.

Doing so in some cases will require them to make very tough choices, and we certainly acknowledge that, but we believe that under the new program, more participation at the State level and the community level will more accurately assess the services throughout the State in conjunction with other transportation initiatives to ensure a coordinated, effective approach to addressing the State's transportation requirements. We think these reforms will better serve small communities, provide them with greater participation, flexibility, and control in tailoring their services.

In closing, Mr. Chairman, I do want to reaffirm Secretary Mineta's and the Administration's commitment to service to small communities. I will be happy to take any questions.

[The prepared statement of Ms. Van de Water follows:]

PREPARED STATEMENT OF HON. READ C. VAN DE WATER, ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION

Good morning Mr. Chairman and members of the Committee. I am pleased to be here today to discuss more fully the Administration's Flight–100 reauthorization proposal for small community transportation service. My experience involving what is now the Essential Air Service Program has reinforced for me the absolute need to reform how the government supports small community transportation. Without fundamental changes to the way in which the Federal Government addresses these transportation issues, communities will have little, if any, control over the service that is provided—the service in many cases may only be partially responsive to the community needs. Moreover, there is no doubt that it will be increasingly more expensive for the government to support those services. Even before September 11, which affected air service throughout the country, including smaller communities, the costs under the EAS program had grown substantially, but use of the services was generally poor. Since September 11, we have received 44 notices by carriers to terminate the last service at a community, most of them triggering first-time EAS subsidy.

In Flight–100, the Administration has proposed a comprehensive new program for small community transportation service that changes both the dynamics and the participants in the process. The key substantive reforms in the program go to the heart of what has been recognized as a significant omission in how we address small community transportation—participation by the communities involved.

Under our proposal, communities will:

- **Participate directly in developing a plan for responding to their transportation needs.** Throughout the history of the Essential Air Service program, the Federal Government has determined what service the community would receive. Under our proposed reforms for small community transportation service, communities will have a leadership role in designing the transportation service that will best meet their individual community's needs. Communities themselves are in the best position to know their needs and their ability to support the services to meet those needs. By participating in the design of the services provided, the community and the government can help ensure more effective decisions on how best to address the community's needs. Our experience with the Small Community Air Service Development Pilot Program has confirmed the strong desire of communities to be active participants in this process. The GAO report on small community service also emphasized that service initiatives were most successful where the communities had active participation in the solutions and were committed to those solutions.
- **Have flexibility in meeting transportation needs.** Traditionally, under the EAS program there has been a "one size fits all" service plan. In the early stages of the EAS program, that system actually worked well and, more often than not, was responsive to the needs of most small communities. As a result of the growth and evolution of air service since then, including expanded hub-and-spoke systems, the more recent growth of low-fare carrier services, and changes in regional air carrier services, this model is no longer a universal template. Our proposal provides communities a broader range of options available

to address their air service needs, including less frequent or charter type service, use of smaller aircraft better matched to the actual demand for service, ground service alternatives, and regional service initiatives where several communities could be served through one airport, but with larger aircraft or more frequent flights. Again, our experience with the Pilot Program has been very instructive. Many communities recognize that their needs have changed and that a broader range of options may be the difference between successful service and service that is rarely used. Greater flexibility will make it possible for communities and the government to respond more effectively and efficiently with the service that the community needs.

- **Participate financially in the service plan.** We believe that services at small communities will be more effective if the community is a full partner with the government. In addition to participating in the design of the service provided, this also involves support for that service—support not only in ridership, but also financially. As a stakeholder in the transportation, the community gains greater control over how the service is provided and its potential for success. The amount of community contribution would be determined by the degree of isolation. Our proposal calls for a sliding scale for financial contributions to the service with the most remote communities contributing at a lower level and the least isolated contributing at a higher level. While this has been the most criticized aspect of the proposal, the Pilot Program has shown that communities are able and willing to participate financially in their transportation services. In last year's grant process, over 70 percent of the communities were prepared to contribute at least 10 percent of the cost of the proposed initiative. Nearly half were prepared to contribute at least 25 percent. I want to emphasize that we recognize that there are certain circumstances under which a community might not be required to make a financial contribution due to special geographical considerations, and we would be prepared to consider those on a case-by-case basis.

Under this new program:

- All communities that are now under the EAS program would be eligible for financial assistance for their transportation services, provided that they contribute toward the cost of the service.
- Those communities will have the opportunity to enhance their service with more frequency or larger equipment (air or surface) with an additional financial contribution. They may also seek additional financial assistance for other components of their air service plan, such as marketing and other promotional initiatives.
- Communities close to jet service (within 100 highway miles of a large or medium hub, 75 from a small hub, or 50 from a non-hub with jet service) would be eligible for surface transportation only, splitting the cost of the service with the Federal Government—50/50.
- Communities more than 210 miles from the nearest large or medium hub are eligible for any type of air or ground service, with a contribution of at least 10 percent of the cost of the service.
- All other communities are eligible for any type of air or ground service, with a contribution of at least 25 percent of the cost of the service.
- Small communities (small hubs and smaller) not encompassed by the existing EAS program may also seek financial assistance to facilitate their transportation needs, provided that they make a financial contribution of at least 25 percent.

These changes will require communities to rethink carefully their air transportation needs, as well as the most effective ways of meeting those needs; doing so in some cases will also require making some very tough and unpopular decisions. I also believe that under the new program more participation at the state level will be necessary to assess the services throughout the state in conjunction with other transportation initiatives to ensure a coordinated, effective approach to addressing the state's transportation requirements. I am confident that the reforms proposed by the Administration will better serve small communities, providing them with greater participation, flexibility, and control in tailoring service to their individual needs, and will more effectively direct Federal funds to where they are needed most.

In closing, Mr. Chairman, I want to reaffirm the Administration's commitment to small community transportation. With this proposal, the Administration has taken a necessary and important step to develop a more responsive and efficient system of transportation for smaller communities. We look forward to working with you and

members of this committee toward accomplishing these objectives. Thank you again for inviting me today to this hearing. This concludes my prepared statement. I will be happy to answer any of your questions.

The CHAIRMAN. Thank you. Dr. Dillingham, before we proceed to you, I note Senator Stevens is here and he has a very busy schedule. I wonder if Senator Stevens has any comments he would like to make before we move to Dr. Dillingham.

Senator STEVENS. Thank you very much, Mr. Chairman. I am on my way to a conference here in a minute, and I am taking the time to read Ms. Blakey's statement and Ms. Van de Water's while I am listening to Dr. Dillingham, so I will be here a few minutes. Thank you for your courtesy. Thank you very much.

The CHAIRMAN. Thank you. Dr. Dillingham, welcome back.

STATEMENT OF GERALD L. DILLINGHAM, DIRECTOR, CIVIL AVIATION ISSUES, GENERAL ACCOUNTING OFFICE

Dr. DILLINGHAM. Thank you, Mr. Chairman.

As we all know, the circumstances for aviation have changed dramatically since AIR–21 was enacted. The downturn in the Nation's economy, the terrorist attacks of 9/11, the war in Iraq, and more recently the SARS health crisis have all taken a toll on aviation. We think that the current slowdown in the economy and in the aviation industry has created a window of opportunity to prepare for the system's inevitable rebound and projected growth without the pressures of congestion and delay.

There are also some challenges that need to be addressed in order to take advantage of this window of opportunity. My testimony this morning will identify some of the key challenges that reauthorization could address to enhance the capacity, efficiency, and safety of the national air space system, as well as some management issues at FAA.

Chief among the challenges associated with increasing system capacity is ensuring the continued availability of funds for airport capital development. Over the last 5 years, funds for capital projects have increased, in part due to the increase in the Federal funding available through the AIP program.

The future availability of AIP funds for airport development may be affected by the continued use of large amounts of funds for security projects. As several have mentioned this morning, last year there was an 800 percent increase in the use of AIP funds for security projects. As the Administrator said, FAA expects to use another half billion dollars of AIP funds for security again this year. Our work has shown that there was a direct effect on the availability of funding for capital development as a result of the use of AIP funds for security. The effect for this year should be looked at very carefully.

Runway development is also central to the challenge of increasing system capacity. The consensus is that building runways is one of the most effective ways to increase capacity. Many stakeholders believe that if the environmental review process is streamlined, it will ease the 10- to 14-year timeframe for building a runway. In our work, we also found that reaching agreement with community groups about quality-of-life issues such as noise could be just as difficult and time-consuming as the environmental review process.

This finding suggests that initiatives aimed at addressing other community concerns are at least as important as the environmental review process.

Turning to the challenge related to the efficiency of the National Airspace System, many of the efforts to improve the system efficiency are focused on modernizing the air traffic control system, and over the years, Congress and the Administration have taken several significant actions to address the chronic problems associated with the modernization program.

In 1995, Congress granted FAA unique and unprecedented acquisition in human capital flexibility, and although many key air traffic control projects continue to experience cost schedule and performance problems, our work has shown that these flexibilities have contributed to some improvement in FAA's ability to manage the modernization program and its ability to implement some systems.

We have also found that in both of these areas, FAA has not yet fully implemented the flexibilities. Elements not fully implemented include processes for evaluating the results of the reforms, and for using that information to modify or change the reform. In 2000, a three-part structure to improve the oversight, management, and operation of the air traffic control system was enacted.

One of the three elements, the oversight element, which is the Air Traffic Services Subcommittee, has been implemented. It has emphasized performance management, accountability, and the development of a more business-like structure to the management of the air traffic control system, but neither the key management element, the chief operating officer, nor the key operations element—a performance-based organization—have been implemented.

Not surprisingly, the new structure is not yet functioning as it was intended. Completing the implementation of these reform efforts is critical to enhancing the efficiency of modernizing and operating the air traffic control system.

Turning now to the safety challenge, our work shows that safety is still paramount at FAA. Safer Skies and the Air Traffic Oversight System, or ATOS, are the principal safety initiatives underway at FAA. In both cases, we identified some problems in the early stages of these initiatives. However, they both show promise for enhancing safety. Again, complete and full implementation of the initiatives needs to occur, along with the evaluation of the outcomes, which can then be used to modify and strengthen the program.

We agree with the Administrator about the importance of FAA and TSA maintaining close coordination. Because of the often vital link between aviation safety and security, we believe it should be viewed as a new challenge in the aviation safety area.

Turning to our last key challenge of FAA's business operations, with declining resources and increasing demands, it is especially important that FAA seek to improve its business operations by controlling or reducing costs. We think that strong internal controls are essential to ensure that programs run efficiently and to prevent potential fraud, waste, and abuse.

In our work, we found that FAA faces some significant challenges in the area of internal controls. For example, we found in-

stances in which internal control weaknesses in FAA's purchase card program contributed to almost $5.5 million of improper purchases by employees and over a half million dollars in purchases that were considered wasteful or questionable in a 1-year period. To its credit, FAA immediately implemented program reforms to address our findings. It is important that FAA stay the course in this area and ensure full implementation of these reforms.

The DOT Inspector General reported similar concerns with FAA's internal controls for accounting and for distributing labor costs for air traffic controllers. Fixing this internal control weakness is particularly important, because FAA needs accurate data for workforce planning. Accurate workforce data is especially important as FAA plans for the expected attrition of thousands of air traffic controllers in the next few years.

Thank you, Mr. Chairman, for inviting GAO to be here this morning. Our office stands ready to assist this committee in any way we can as it proceeds with its very important reauthorization.

[The prepared statement of Dr. Dillingham follows:]

PREPARED STATEMENT OF GERALD L. DILLINGHAM, DIRECTOR, CIVIL AVIATION ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Mr. Chairman and members of the Committee:

We are here today to discuss the reauthorization of Federal aviation programs and issues relevant to ensuring the safe and efficient operation of the National Airspace System.[1] Much has changed since the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR–21) reauthorized the Federal Aviation Administration's (FAA) programs 3 years ago. At that time, as you know, air traffic was increasing, and concerns about congestion and flight delays were paramount. Since then, the downturn in the nation's economy, the terrorist attacks of September 11, 2001, and, most recently, the war in Iraq have taken a heavy toll on aviation. Flights that were once filled are now being canceled for lack of business, and major air carriers are in serious financial difficulty. Furthermore, as the Federal budget deficit has increased, competition for federal resources has intensified. Analysts nonetheless expect the demand for air travel to rebound, and the Nation's aviation system must be ready to accommodate the projected growth safely and securely. The current slowdown in the economy and in the aviation industry has created a window of opportunity to prepare for this growth without the pressures of congestion and flight delays. My statement today focuses on the challenges that the Congress, the Administration, and FAA face in increasing aviation capacity, efficiency, and safety, and maintaining controls over costs. My statement is based primarily on our published reports, as well as our ongoing work for this committee discussed in the scope and methodology section at the end of the statement.

In summary:

- Increasing capacity and service in the National Airspace System poses several challenges for the Congress and the Administration during this reauthorization process. Chief among them is deciding how much of airports' planned capital development should be funded to increase capacity and service, as well as improve the efficiency and safety of the National Airspace System. Funds for airports' capital development have increased over the last 5 years, in part because of increases in the Federal grant funding provided to airports under the Airport Improvement Program. Current funding levels are sufficient to cover much of the estimated cost of planned capital development. However, future funding levels may be affected by changes in the allocation of Airport Improvement Program grant funds and by projected decreases in the Airport and Airway Trust Fund, which supports the Airport Improvement Program and other FAA accounts. Other challenges include building runways expeditiously to increase capacity and providing air service to small communities. Runway development now takes 10 to 14 years, primarily because of time-consuming environmental reviews and community concerns. Two Federal programs, the Essential Air Service and the Small Community Air Service Development Pilot programs, help bring air service to small communities, but the costs of this service are increasing while passenger ticket revenues are declining. The Administration is

proposing an approach to streamline the environmental reviews required for runway development, and intermodal alternatives, such as rail or bus service, could provide access to the national air transportation system for some small communities.

- Efforts to improve the efficiency of the National Airspace System by modernizing its principal component, the air traffic control system, face ongoing challenges despite actions taken by the Congress and the Administration to eliminate the cost overruns, schedule delays, and performance shortfalls that have plagued FAA's air traffic modernization program and led us to designate this program as high risk. These actions include granting FAA acquisition and human capital flexibilities in 1996 and creating a new, three-component structure to improve the oversight, management, and operation of the air traffic control system in 2000. Our work has shown that FAA has responded to these actions to varying degrees, but more remains to be done. Overall, FAA is improving its management of the air traffic modernization program and has implemented some systems, but key projects continue to experience cost, schedule, and performance problems. Additionally, FAA has used its acquisition flexibilities to establish an acquisition management system and its human capital flexibilities to fully or partially implement human capital reform initiatives. The acquisition management system has provided FAA with a structured management approach for selecting and controlling its investments, and the human capital reform initiatives are affording opportunities for FAA to manage its workforce more efficiently. However, in implementing both of these reforms, FAA has not yet incorporated important processes or elements for evaluating the results of its efforts, modifying these efforts as necessary, and holding its managers accountable. Finally, one of the three components of the new structure for improving the performance of the air traffic control system has been implemented. The oversight component, the Air Traffic Services Subcommittee, has been meeting since January 2001 and emphasizing performance management, but without the management and operating components, the new structure is not yet functioning as intended. Completing the implementation of, and continuing to improve, these efforts will be important to enhancing the efficiency of the air traffic control system.
- Important steps have been taken to enhance aviation safety, but some challenges remain. Safer Skies, an initiative designed by FAA and the aviation industry to reduce the nation's fatal aviation accident rate by 80 percent by 2007, is the centerpiece of these efforts to improve aviation safety. This initiative began in 1998, and many preventive actions are under way but have not yet been fully implemented. Another key effort to improve aviation safety is FAA's Air Transportation Oversight System, which was redesigned to provide more effective inspections of the Nation's airline operations. In reporting on this system in 1999, we noted that it incorporated important features to ensure that airlines have systems to control risks and prevent accidents, but that it had encountered startup problems with data collection and program guidance.[2] Many of these problems were not yet fully resolved when the Department of Transportation's Inspector General reported on the inspection system last year.[3] Finally, because of the often vital link between aviation safety and aviation security, it will be critical for FAA to ensure that aviation safety is maintained as the Department of Homeland Security's Transportation Security Administration implements new security enhancements.
- With the decline in revenues to the Airport and Airway Trust Fund—the principal source of funding for most of FAA's operations, facilities and equipment, and grant programs—it is especially important that FAA control or reduce costs, run its programs efficiently, and detect and prevent fraudulent activities. FAA, however, faces challenges in implementing controls over its costs. For example, during Fiscal Year 2000, weaknesses in the internal controls over FAA's purchase card program contributed to $5.4 million in improper purchases by FAA employees and over $630,000 in purchases that were considered wasteful or questionable. In addition, FAA has partially implemented a new cost accounting system that enables it to track 70 percent of its air traffic services costs; however, according to the Department of Transportation's Inspector General, this system lacks internal controls over $3.1 billion in labor costs. The Inspector General further noted that a portion of this system, if implemented as designed, could provide workforce data that would be helpful in determining how many controllers are needed and where. These data would assist FAA in planning for the anticipated retirement of large numbers of air traffic controllers in the near and long term.

Efforts to Increase Aviation Capacity and Service Face Funding and Other Challenges

During this reauthorization period, the Congress and the Administration face several key challenges in attempting to increase the capacity of the National Airspace System and expand service to small communities. These challenges include determining (1) how much airport capital development is needed, (2) how that development will be funded, (3) how assistance for enhancing air service to small communities will be provided, and (4) how the current process for enhancing capacity, particularly the runway development process, can be expedited.

FAA and the Airport Industry Have Developed Different Estimates of Airports' Planned Capital Development Costs

FAA and the Airport Council International (ACI), an organization representing the airport industry, have developed two different estimates of airports' planned capital development costs that are based on two different sets of projects. According to FAA's estimate, which includes only projects that are eligible for Airport Improvement Program (AIP) grants, such as runways, taxiways, and noise mitigation and noise reduction efforts, the total cost of airport development will be about $46 billion, or over $9 billion per year, for 2001 through 2005. FAA's estimate is based on the agency's National Plan of Integrated Airport Systems, which FAA published in August 2002. ACI's estimate includes all of the projects in FAA's estimate, plus other planned airport capital projects that may or may not be eligible for AIP grants. Projects that are not eligible for AIP funding include parking garages, hangars, and expansions of commercial space in terminals. ACI estimates a total cost of almost $75 billion, or nearly $15 billion per year, for 2002 through 2006. Neither ACI's nor FAA's estimate includes funding for the terminal modification projects that are needed to accommodate the new explosives detection systems required to screen checked baggage. ACI estimates that these projects will cost about $3 billion to $5 billion over the next 5 years.

Although there is a difference of $6 billion a year between FAA's and ACI's estimates of planned development costs, both estimates cover projects for every type of airport. As table 1 indicates, the estimates are identical for all but the large-and medium-hub airports, which are responsible for transporting about 90 percent of the traveling public. For these airports, ACI's estimate of planned development costs is about twice as large as FAA's. As the Congress moves forward with reauthorizing FAA's programs, it will have to determine what level of planned capital development is appropriate to increase the capacity, efficiency, and safety of the National Airspace System.

Table 1: Average Annual Planned Development Costs Estimated by FAA and ACI, by Airport Type, 2001–2006 (Dollars in millions)

Airport type	Number of airports	Estimated average annual costs	
		FAA	ACI
Large hub	31	$4,855	$8,554
Medium hub	37	1,073	3,109
Small hub	71	675	675
Nonhub	280	807	807
Other commercial service	124	142	142
Reliever	260	526	526
General aviation	2,558	1,167	1,167
Total	3,364	$9,245	$14,980

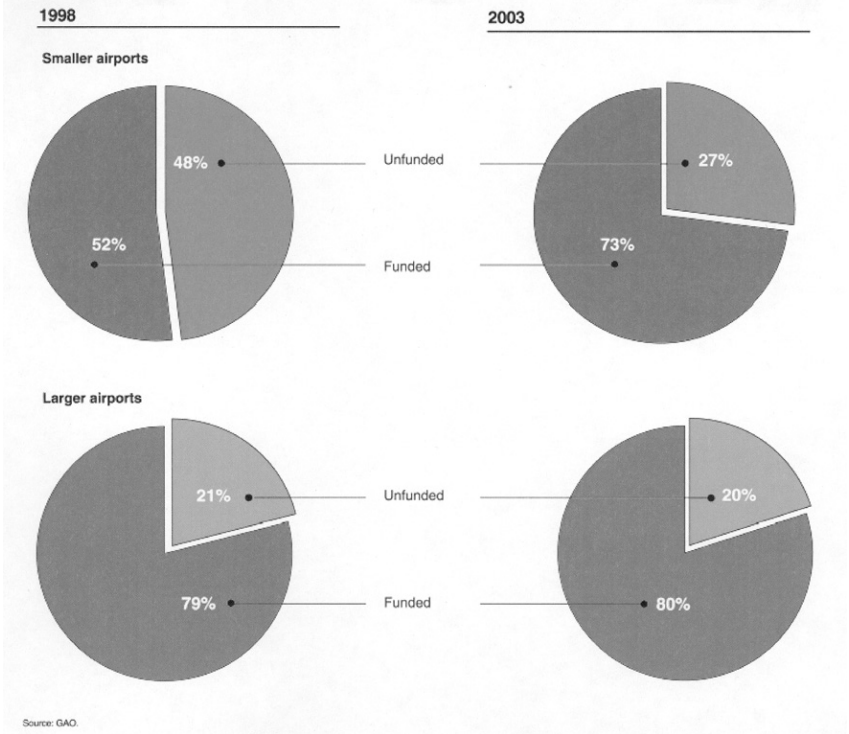
Source: FAA and ACI.

Airports' Ability to Fund Planned Capital Development Has Improved

Over the past 5 years, the ability of airports—especially smaller airports—to fund their capital development projects has improved, in part because AIR–21 increased both the total amount of funding for AIP grants and the proportion of AIP funding that went to smaller airports. In 1998, we reported that large-and medium-hub airports could fund about 79 percent of their planned capital development and smaller airports could fund about 52 percent of their planned capital development if they continued to receive funding at prior years' levels. In 2003, the funding ability of both groups of airports increased. As shown in figure 1, large-and medium-hub airports could fund about 80 percent of their planned capital development, an increase of 1 percentage point, while smaller airports could fund about 73 percent of their

planned capital development, an increase of 21 percentage points, assuming the continuation of prior years' funding levels.[4]

Figure 1: Ability of Smaller and Larger Airports to Fund Estimated Planned Capital Development in 1998 and 2003



Source: GAO's analysis of FAA data.

The primary reason why smaller airports are able to fund 73 percent of their planned development in 2003, rather than the 52 percent we reported in 1998, is that they have benefited significantly from the increases in AIP grants, which are a larger source of funding for smaller airports than for larger airports. In addition, smaller airports have received an increasing share of AIP grants because of statutorily required changes in the distribution of AIP grants. For example, in AIR–21, the Congress increased the funding for two grant categories that primarily or exclusively benefit smaller airports—the state apportionment fund and the small airport fund—and created general aviation entitlement grants, which also benefit smaller airports. The Senate's and the Administration's reauthorization proposals continue to support increases in the amount of AIP grant funding awarded to smaller airports. In spite of the progress that has been made, over 25 percent of planned capital development is not funded. The Congress needs to be mindful of this situation as it considers reauthorization issues.

Changes in the Use of AIP Grants and Additional Decreases in Trust Fund Revenue Could Affect Airports' Future Funding Ability

The use of AIP grants to fund new airport security requirements and additional decreases in the Airport and Airway Trust Fund's[5] revenues could affect the future ability of airports to fund their planned capital development. In recent fiscal years, airports obtained most of their funding for planned capital development from bonds, AIP grants, and passenger facility charges.[6] Because the Trust Fund is the source of funding for AIP grants, its financial condition is important to the ability of air-

ports to fund capital development, and decreases in its revenues could reduce the amount of funding for airport planned capital development. Reductions in AIP grant funds would have the greatest effect on smaller airports, which derive most of their planned capital development funding from AIP grants, whereas large-and medium-hub airports derive most of their funding from bonds.

Continued Use of AIP Grant Funds for Security Projects Would Reduce Funding for Capacity Projects

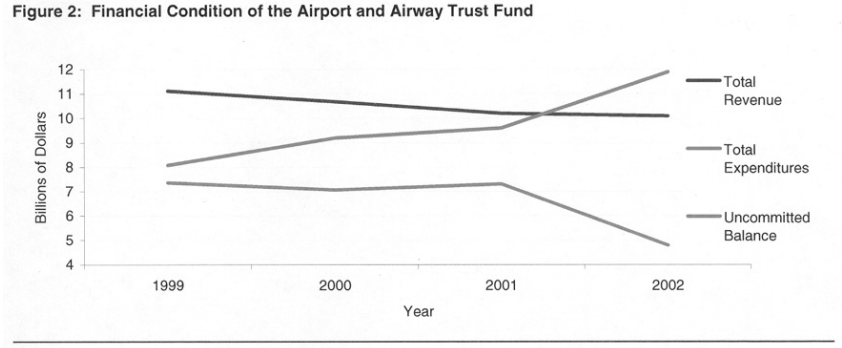
According to FAA officials, FAA plans to allocate the same amount of AIP grant funds for new security projects at airports in Fiscal Year 2003 as it allocated in Fiscal Year 2002—$561 million. As we reported in October 2002,[7] the use of AIP grants for security projects reduced the funding available for other airport development projects, such as projects to bring airports up to FAA's design standards and reconstruction projects, and caused FAA to defer three letter-of-intent payments totaling $28 million to three airports until Fiscal Year 2003 or later.[8] Among the key reauthorization issues facing the Congress are how the funding needs for capacity and security projects will be balanced and how the new security requirements, including the terminal modification projects that are expected to cost $3 billion to $5 billion, will be funded.

Additional Declines in Airport and Airway Trust Fund Revenue Could Also Affect Amount of AIP Grant Funds Available for Future Capital Development

The future ability of airports to fund planned capital development may be affected by uncertainties surrounding the condition of the Trust Fund. As you know, the Trust Fund is the source of funding not only for AIP grants but also for other FAA accounts, including facilities and equipment; research, engineering, and development; and most operations. Revenues to the Trust Fund come from several types of taxes, including passenger ticket and fuel taxes. Although projections made in November 2002 indicate that the Trust Fund will be able to meet its traditional obligations over the next 10 years, the financial outlook for the next 5 to 8 years is uncertain, in part, because passenger traffic has decreased with the slowdown in the economy. Current estimates indicate that between Fiscal Year 2003 and Fiscal Year 2007, the Trust Fund's 2002 uncommitted balance of about $4.8 billion will decline by about $4 billion, leaving a balance of less than a billion dollars. In addition, if revenues fall short of current projections, the Trust Fund's uncommitted balance may be zero. Under this scenario, AIP grants and other FAA accounts supported by the Trust Fund could potentially receive less funding, and the Congress and the Administration would have to decide how to offset the potential decreases.

As figure 2 shows, from 1999 through 2002, revenues to the Trust Fund have declined, while expenditures from the fund have increased. Revenues fell from about $11 billion in 1999 to almost $10 billion in 2002, a decrease of almost 10 percent. During the same period, expenditures increased from about $8 billion to about $12 billion, an increase of about 47 percent. As a result, the uncommitted balance (surplus) has fallen by nearly 35 percent, from $7 billion in 1999 to almost $5 billion in 2002.

Figure 2: Financial Condition of the Airport and Airway Trust Fund



Source: FAA.

The major reason for the decline in Trust Fund revenues was a drop in passenger ticket tax revenues, which fell by nearly $1.2 billion from 1999 to 2002. The increase in Trust Fund expenditures from 1999 through 2002, amounting to almost $4 billion, can be attributed primarily to increases in funding for FAA operations and AIP

grants, which accounted for about 47 percent and about 34 percent of the total increase, respectively.

In addition, the Administration is proposing actions that would further reduce the Trust Fund balance over the next several years. Specifically, the President's Fiscal Year 2004 budget request would increase the percentage of FAA operations funded by the Trust Fund from 75 percent[9] to 79 percent. The decrease in Trust Fund revenues and increase in Trust Fund expenditures presents an issue that the Congress may want to address as it moves forward with the reauthorization process.

Resolving Challenges to Runway Development Remains an Important Issue

While there is a general consensus that building runways is one of the most effective ways to increase capacity in the National Airspace System, resolving the challenges associated with planning and building runways is an important issue that is directly related to enhancing capacity. In December 2002, FAA published the most recent version of its Operational Evolution Plan, a 10-year plan to increase the capacity and efficiency of the National Airspace System, primarily by building runways.[10] Figure 3 illustrates how capacity will be increased at one airport through runway construction.

Figure 3: Increasing Airport Capacity through Runway Development

Source: HNTB.

If successfully carried out, FAA's Operational Evolution Plan would substantially increase capacity and improve efficiency. However, FAA faces several challenges in implementing the plan. First, the success of the plan depends on adequate funding and on the consensus of FAA's aviation industry partners. Yet according to the most recent version of the plan, the timing and implementation of some activities may be in jeopardy because of the current economic situation and the uncertain viability of some industry participants. For example, the plan calls for the airline industry to invest $11 billion in new equipment for aircraft. FAA is currently reviewing the ability of the airlines to make this investment. Second, as noted, the plan relies heavily on runway development to increase capacity, but the most recent version of the plan reports mixed results in building new runways. While the plan indicates that one new runway will be built during the next 10 years, it points out that another runway has been canceled and the construction of six additional runways has been delayed because of local situations.

In January 2003, we reported that airports spent about 10 years planning and building recently completed runways and expect to spend about 14 years on runways that are not yet completed.[11] We also reported that several external factors affect how much time is spent planning and building runways, and several airports with unfinished runway projects identified significant challenges that had delayed the completion of their projects. While many airports believed that completing the environmental review phase was a significant challenge and is an issue that warrants immediate attention, airports also faced obstacles that some said were as onerous as the environmental review phase. They identified significant challenges in reaching agreement with community interest groups during the planning phase and in mitigating the potential impact of aircraft noise on the surrounding community. Although there may be no single solution to resolving all of the issues involved in planning and building runways, the Federal Government and airport authorities are taking some action. For example, the Senate's and the Administration's reauthorization proposals call for streamlining the environmental review of transportation infrastructure projects.

Recognizing that building new runways is not always a practicable way to increase capacity at some airports, we identified three alternatives to building runways in our December 2001 report:[12]

- Find ways to manage and distribute demand within the system's existing capacity at busy airports such as LaGuardia, by, for example, limiting the number of takeoffs and landings during peak periods or limiting the ability of general aviation aircraft to use especially congested airports (under current law, all aircraft have equal access to even the largest airports). Airports are restricted in using pricing to reflect the scarcity and congestion of airspace.
- Add capacity by using nearby airports that have available capacity.
- Examine other modes of intercity travel, such as high-speed rail, where metropolitan areas are relatively close, to form an integrated, intermodal transportation network.

Accordingly, we recommended that the Department of Transportation (DOT) begin a more extensive evaluation of initiatives, including intermodal solutions and a dialogue with transportation stakeholders, as a basis for developing a comprehensive blueprint for addressing the nation's long-term transportation needs. DOT has recognized the need for more and better long-range planning on the potential use of such measures and agreed with our recommendation. The Department's evaluation efforts are in the beginning stages. The current hiatus in air traffic growth creates an opportunity for the development of long-term transportation plans.

Federal Programs to Help Small Communities Improve Air Service Face Budgetary Pressures and Questions about Their Effectiveness

While the need for greater capacity is a vital issue for some large-and medium-hub airports, the primary issue at other airports that serve small communities is to obtain or retain commercial air service. The reauthorization process provides an opportunity for the Congress to clarify the Federal strategy for helping small communities acquire the commercial air service they desire. Currently, the challenges that small communities have long faced in obtaining or retaining commercial air service are increasing as many U.S. airlines try to stem unprecedented financial losses through numerous cost-cutting measures, including reducing or eliminating service in some markets. Small communities feel such losses disproportionately because they may have service from only one or two airlines. For them, reductions can mean no air service at all.

The Essential Air Service (EAS) program, authorized under the Airline Deregulation Act of 1978, guarantees that small communities served before deregulation will

continue to receive a certain level of scheduled air service. Its costs have more than tripled since Fiscal Year 1995, and indications are that without changes to the program, the demand for subsidies will soon exceed the program's $113 million appropriation for Fiscal Year 2003. At the same time, aggregate passenger levels at EAS-subsidized airports continue to fall. Often fewer than 10 percent of a community's potential passengers use the subsidized local service; the rest choose to drive to their destination or drive to a larger airport that offers lower fares or more frequent service to more destinations. In 2000, the median number of passengers on each EAS-subsidized flight was three. The Administration's budget proposal for Fiscal Year 2004 would substantially reduce the federal subsidy for small community air service and require communities that wish to retain the service to help subsidize it. Specifically, the budget proposal would reduce federal EAS funding from $133 million in 2003 to $50 million in 2004, alter the eligibility criteria for funding, and require nonfederal matching funds. Consistent with its budget proposal, the Administration's reauthorization proposal would restructure the EAS program to direct its resources to the small communities with the greatest need to maintain access to national air transportation service. The Senate bill proposes to reauthorize funding for the program at current levels.

The Small Community Air Service Development Pilot Program, authorized as part of AIR–21, provides grants to communities to enhance local air service. In Fiscal Year 2002, 180 communities requested over $142 million in air service development grants, and $20 million was appropriated. In March 2003, we reported that the program funded some innovative approaches.[13] For example, Mobile, Alabama, received about $450,000 to provide ground-handling services to an airline, and Caspar, Wyoming, received $500,000 to purchase and lease back an aircraft to an airline to ensure service to the community. The program also funded the same types of projects that many small communities have undertaken in recent years, such as evaluations of marketing activities and the use of financial incentives to encourage airlines to either start or enhance service. According to our analysis of similar approaches used by about 100 small communities, financial incentives offered the most promise for attracting new or additional service. However, the additional service typically ended with the incentives. The sustainability of such improvements in air service over the longer term appeared to depend on the community's size and ability to demonstrate a commitment to that air service, either by providing a profitable passenger base or through direct financial assistance. As you know, the Administration's Fiscal Year 2004 budget proposal would eliminate the funding for this pilot program. It is too soon to determine how effective the various types of initiatives funded through this program might prove to be. Other options for making the national air transportation system more accessible to small communities might include intermodal initiatives such as those we proposed as alternatives to runway development.

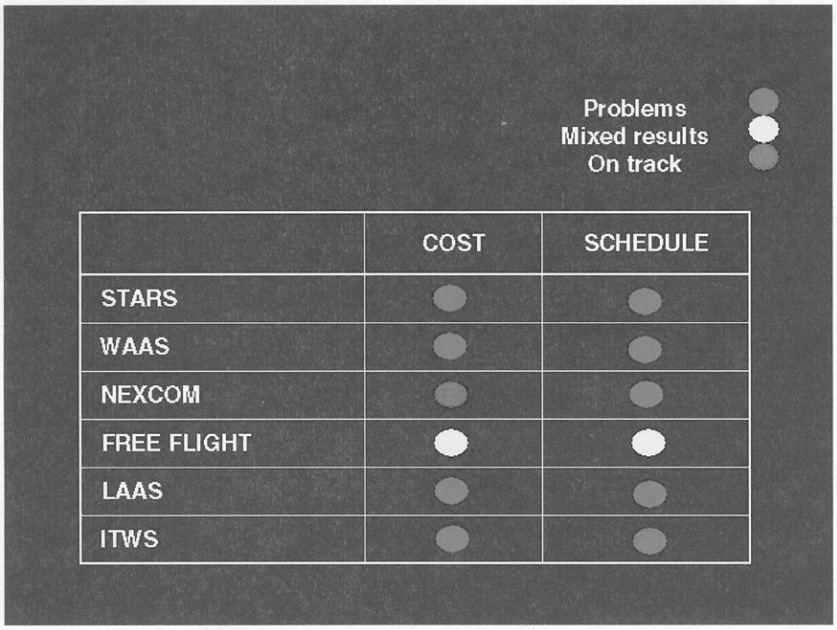
Efforts to Improve the Efficiency of the Air Traffic Control System Face Ongoing Challenges

Improving the efficiency of the air traffic control system will be important to accommodate the expected return to pre-September 11 air traffic levels. Efforts to achieve this improvement pose continuing challenges, as FAA attempts to put acquisition management and human capital reforms in place and establish an effective oversight and organizational structure to help ensure that resources are spent cost-effectively and improvements are realized.

FAA's Air Traffic Modernization Remains High Risk

To increase the safety, capacity, and efficiency of the National Airspace System, FAA undertook a major effort in 1981 to modernize and replace aging air traffic control equipment. This effort, which includes major projects in such areas as communications, surveillance, navigation, and weather, has been plagued by cost overruns, schedule delays, and performance shortfalls. As a result, we designated FAA's air traffic modernization program as high risk in 1995, and we continue to designate it as such.[14] Figure 4 combines our and the DOT Inspector General's analysis of FAA's progress in meeting cost and schedule goals for selected air traffic control projects—the Standard Terminal Automation Replacement System (STARS), Wide Area Augmentation System (WAAS), Next-Generation Air/Ground Communication (NEXCOM), free flight, Local Area Augmentation System (LAAS), and Integrated Terminal Weather System (ITWS).

Figure 4: Status of Selected FAA Air Traffic Control Projects



Sources: GAO and DOT Inspector General analysis of FAA data.

FAA is making progress in managing the air traffic control modernization effort and has implemented some key projects. For example, the agency has replaced the automated color display equipment used by air traffic controllers to control traffic in some facilities (Display System Replacement); installed the initial phase of the computer that receives, processes, and tracks aircraft movement throughout the airspace system (HOST computer); and implemented some free flight technologies that are expected to allow for more efficient use of the system by improving operations in various segments of flight. Figure 5 shows an FAA representative using the Display System Replacement to monitor and handle air traffic.

Figure 5: Air Traffic Controller

Source: FAA.

However, other key projects continue to experience cost, schedule, and performance problems. The Inspector General has reported that the costs of five acquisitions have grown by $3 billion—the equivalent of 1 year's budget for the modernization program—and the delay in completing these acquisitions has ranged from 3 to 5 years.[15] Problems in implementing the Standard Terminal Automation Replacement System are indicative of the problems that have plagued the modernization program. Since September 1996, FAA has been developing the STARS project to replace the outdated computer equipment that air traffic controllers currently use in some facilities to control air traffic within 5 to 50 nautical miles of an airport.

The current program presently bears little resemblance to the program envisioned in 1996. Initially FAA anticipated very little software development, planned to install STARS in 172 facilities at a cost of $940 million, and expected implementation to begin in 1998 and end in 2005. In 1999, FAA modified its acquisition approach (from off-the-shelf software to a combination of customized and off-the-shelf software) and increased to 188 the number of facilities scheduled to receive STARS. Then the agency concluded that it did not have adequate funding to deploy STARS to 188 facilities, and in March 2002, it received approval to deploy STARS at 74 facilities that had frequent equipment failures, were new, or had the digital radar needed to operate STARS.

FAA does not yet know to what extent its estimate of STARS's remaining development costs is reliable because, as we reported in January 2003, FAA lacks accurate, valid, current data on the STARS program's remaining costs and progress.[16] Without such data, FAA is limited in its ability to effectively oversee the contractor's performance and reliably estimate future costs. Although FAA has adopted clear procurement management policies and procedures, it did not consistently apply this guidance in managing the STARS contract. For example, the development cost estimate is based on the contractor's projections, which FAA had not yet independently analyzed as its guidance directs. We made several recommendations to improve the management of STARS and subsequent terminal modernization programs and to

provide the Congress with more reliable information for oversight. FAA agreed with our recommendations and is implementing them.

Acquisition Management System Is in Place, but Weaknesses Limit FAA's Ability to Manage Its Investments Effectively

As part of its procurement reforms, FAA introduced an acquisition management system in 1996 to reduce the time and cost to deploy new products and services. In 1999, we reported that this system provided a structured management approach for selecting and controlling investments, but still had weaknesses, such as incomplete data on projects' costs, schedule, benefits, performance, and risks, that limited FAA's ability to manage its investments effectively. We made several recommendations to address these weaknesses and FAA has made changes to better manage its investments. We have since found that FAA is overseeing investment risk and capturing key information from the investment selection process in a management information system and is also developing guidance for validating costs, benefits, and risks. However, FAA is not yet incorporating actual costs from related system development efforts in its processes for estimating the costs of new projects. Moreover, FAA has not yet implemented processes for evaluating projects after implementation in order to identify lessons learned and improve the investment management process. These weaknesses have impeded FAA's ability to manage its investments effectively and make sound decisions about continuing, modifying, or canceling projects. Because its acquisition reform effort is not complete, major projects continue to face challenges that could affect their costs, schedule, and performance.

Human Capital Reform Initiatives Do Not Incorporate Elements Important for Effective Management

In response to claims by FAA that burdensome government-wide human capital rules impeded its ability to hire, train, and deploy personnel, the Congress exempted FAA from many Federal laws[17] governing human capital, and the agency began implementing sweeping human capital reforms in 1996.[18] These reforms addressed three broad areas. (1) compensation and performance management, (2) workforce management, and (3) labor and employee relations. Figure 6 summarizes our analysis of FAA's progress in implementing initiatives in each of these areas.

Figure 6: Implementation Status of Selected FAA Personnel Reform Initiatives

Reform area	Initiatives	Status
Compensation and performance management	Broadbanded pay systems	In progress
	Performance appraisals without ratings	In progress
Workforce management	Workforce planning	In progress
	Decentralized competitive hiring	Completed
	Delegated training management	Completed
	Flexible relocation policies	Completed
Labor and employee relations	Labor partnership forums	Completed
	Workplace improvement policies	Completed

In progress
Completed

Source: GAO analysis of FAA data.

While FAA has fully or partially implemented the initiatives in each of its three broad reform areas, it has not fully incorporated elements that are important to effective human capital management into its overall reform effort. These elements include data collection and analysis, performance goals and measures, and links between reform goals and program goals. Furthermore, as we reported in February 2003, FAA has not developed specific steps and time frames for building these missing elements into its human capital management and for using these elements to evaluate the effects of its personnel reform initiatives, make strategic improvements, and hold the agency's leadership accountable.

New Structure for Improving the Performance of the Air Traffic Control System Has Not Been Fully Implemented

In 2000, AIR–21 and an executive order established a new structure to accelerate the modernization and improve the performance of the air traffic control system. This structure was to consist of (1) a five- member board, called the Air Traffic Serv-

ices Subcommittee (Subcommittee), to oversee the air traffic control system, (2) a chief operating officer to manage the air traffic control system, and (3) a new performance-based organization, to be known as the Air Traffic Organization, to operate the air traffic control system. Under the act, the Subcommittee provides oversight by, among other things, reviewing and approving strategic plans, large contracts, and budget requests for the air traffic control system.

The Subcommittee has been meeting since January 2001, but a chief operating officer has not yet been appointed, and FAA is waiting for an appointment before putting the new air traffic organization in place. To date, the Subcommittee has focused on bringing performance management, accountability, and a more business-like structure to the air traffic control system, and it has taken some specific actions, including reviewing and approving performance metrics, a budget, and three large procurements that FAA initiated. However, without a chief operating officer or a performance-based organization, the new structure is not functioning as intended.

FAA and other stakeholders have suggested reasons for the difficulties in implementing the new structure and have proposed changes to AIR–21 that they believe would address these reasons. For example, they have noted that the Subcommittee's authority to approve the budget request for the air traffic control system challenges the Administration's prerogative to submit a budget request reflecting its priorities, and they have cited uncertainties in the responsibilities and reporting relationships of the chief operating officer, the FAA Administrator, and the Subcommittee that, they say, have made it difficult to hire a chief operating officer. To address these issues, the Administration's reauthorization proposal would (1) eliminate the Subcommittee's approval authority, making the Subcommittee an advisory body, and (2) designate the FAA Administrator as the chair of the Subcommittee, thereby strengthening the Administrator's authority over, and accountability for the performance of, the chief operating officer. While these changes would eliminate the challenge that the Subcommittee's approval authority poses to the Administration's prerogatives; would clarify the lines of authority between the chief operating officer, the FAA Administrator, and the Subcommittee; and could make it easier to hire a chief operating officer, they would also limit the power of the Subcommittee. The Senate's reauthorization proposal would also designate the FAA Administrator as the chair of the Subcommittee, but it would retain the Subcommittee's approval authority. The merits of these and other proposed changes depend, in large part, on the extent to which approval authority is viewed as necessary or desirable to bring about improvements in the performance of the air traffic control system.

FAA Is Implementing Safety Initiatives and Faces New Challenges in Ensuring That Security Enhancements Maintain Aircraft Safety

Safety has always been and continues to be FAA's highest priority. FAA has taken a number of important steps to improve aviation safety; however, its planning and implementation could sometimes be more effective. In addition, with the transfer of most aviation security responsibilities to the Transportation Security Administration (TSA), FAA faces the challenge of maintaining close coordination with TSA to ensure that aircraft safety is maintained as TSA implements new security enhancements.

FAA and Industry Have Taken Actions to Reduce the Fatal Accident Rate

Reducing fatal aviation accidents is key to improving aviation safety. FAA's centerpiece for reaching this goal is Safer Skies, an initiative that dates back to 1998, when FAA and aviation industry representatives worked together to identify the major causes of fatal accidents and to design and implement actions to prevent future accidents. Safer Skies is intended to reduce the fatal accident rate for commercial aviation by 80 percent and to reduce the number of fatal accidents for general aviation to 350 a year by 2007.[19] Because many preventive actions have not yet been fully implemented, it may be too early to assess their effectiveness. Achieving the initiative's goals will require FAA to systematically implement preventive actions, such as requiring additional safety inspections of aircraft, and to maintain good data to monitor the progress of these actions and evaluate their effectiveness. As of February 2003, 44 preventive actions had been undertaken—of which 16 are completed and 28 are under way, according to FAA.

FAA's New Safety Inspection System Offers Promise, But Problems Still Need to Be Addressed

Improving the effectiveness of FAA's inspections of airline operations is key to improving aviation safety. The FAA Administrator has noted that perhaps the greatest support the agency can provide to the industry is a robust safety oversight role that will not waver in difficult times. FAA's new inspection program, the Air Transpor-

tation Oversight System, is central to this oversight role. This program, which was implemented in 1998, aims to ensure not only that airlines comply with FAA's safety requirements but also that they have operating systems to control risks and prevent accidents. Figure 7 shows an FAA inspector inspecting an aircraft for compliance with FAA's safety requirements.

Figure 7: FAA Safety Inspection in Progress

Source: FAA.

We reported in 1999 that FAA had not completed many critical steps, such as developing guidance for inspectors and creating databases to use in prioritizing inspection resources, before implementing the new inspection system in 1998.[20] As a result, the agency's ability to conduct effective inspections remains limited. FAA has begun to address some of the problems that we identified with the guidance and the databases. However, according to a 2002 review by the DOT Inspector General, many of the problems that we identified persist, and the program's implementation remains inconsistent because FAA has not established strong oversight and accountability procedures.[21] This situation limits FAA's ability to conduct more systematic, structured inspections; analyze the resulting data to identify safety trends; and target its resources to the greatest aviation safety risks.

Aviation Safety and Security Require Close Coordination Between FAA and TSA

Some key efforts under way to improve aviation security require interagency coordination between FAA and TSA because they could also affect aircraft safety. While TSA is responsible for most issues related to aviation security, FAA retains responsibility for those related to aviation safety, including approving the initial aircraft design, structural modifications, and procedures for emergency evacuation and the transportation of hazardous cargo.[22] For example, strengthening cockpit doors to increase cockpit security during flights was one of the government's earliest responses to the September 11 terrorist attacks. Because the modifications could increase the weight of the doors and change the way they are attached to the aircraft, FAA has been certifying these modifications to ensure that they will not cause decompression during flight or affect the aircraft's structural integrity. In addition, new security procedures require that the cockpit door remain locked during flight and that access to the cockpit be restricted to the flight crew. As a result, senior flight attendants will no longer carry keys to the cockpit, and FAA is approving changes to the procedures for rescuing the flight crew in an emergency.

FAA is also responsible for the safe transport of dangerous materials onboard aircraft. Dangerous goods are chemical (including infectious) substances (or anything containing such substances) that pose a threat to public safety or the environment during transportation. When these goods are properly packaged, labeled, and stowed onboard, they can be transported safely, but when they are not, they can pose significant threats to people and property. TSA is responsible for screening all passengers and property, including cargo, that will be carried aboard an aircraft. If, during the screening of passengers or baggage, TSA discovers dangerous goods that are not properly packaged or labeled, TSA will need to coordinate and share information with FAA, which is responsible for enforcing any regulatory violations.

In addition, aircraft crashes could fall under the jurisdiction of either FAA or TSA, depending on whether they were the results of accidents (FAA) or deliberate acts (TSA). It will be important for the two agencies to work together closely during the initial stages of crash investigations. To facilitate coordination on these and other security issues that affect aviation safety, TSA and FAA signed a memorandum of agreement on February 28, 2003. In addition, on March 4, 2003, the Secretary of Transportation agreed to assign a senior official within the Office of the Secretary to serve as DOT's primary liaison to TSA. It is important that both FAA and TSA remain committed to coordinating closely on safety and security issues and that congressional oversight ensures that the memorandum of agreement is implemented.

FAA Faces Challenges in Implementing Controls Over Its Costs

As the Administration and the Congress focus on increasing aviation capacity, efficiency, and safety, they do so in an extremely challenging fiscal environment—the federal budget deficit has increased and competition for federal resources has intensified. Moreover, as we mentioned previously in this statement, revenues to the aviation Trust Fund, which is the source of funding for most of FAA's operations, facilities and equipment, and grant programs, have declined in recent years while outlays have increased. It is, therefore, especially important that FAA control or reduce costs, run its programs efficiently, and detect and prevent fraudulent activities. We and DOT's Inspector General have reported that improvements are needed in these areas.

For example, in March 2003, we reported that weaknesses in FAA's purchase card[23] controls resulted in instances of improper, wasteful, and questionable purchases, as well as missing and stolen assets.[24] These internal control weaknesses included inadequate segregation of duties (i.e., the cardholder requested the purchase, placed the order, and picked up or received the goods without any other review or approval), lax supervisory review and approval, missing purchase documents, inadequate training, and insufficient program monitoring activities, all of which created an environment vulnerable to fraud, waste, and abuse. During Fiscal Year 2000, these weaknesses contributed to $5.4 million in improper purchases by FAA employees and over $630,000 in purchases that were considered wasteful or questionable because they were missing a receipt to show what was actually purchased. To reduce the likelihood of improper and wasteful purchases, we recommended a number of actions to strengthen the internal controls over FAA's purchase card program, such as developing detailed procedures that specify the type and extent of review or approval that is expected. FAA agreed with our recommendations.

In addition, DOT's Inspector General reported in January 2003 that FAA needs to contain increases in its operating costs and improve its internal controls over costs.[25] Over the past 6 years, FAA's operations budget, which is 73 percent personnel costs, increased by over 41 percent, from $5.3 billion in Fiscal Year 1998 to $7.5 billion in Fiscal Year 2003. The Inspector General noted that FAA has made extensive use of its human capital flexibilities to substantially increase salaries, but has done little to reduce operating costs. FAA has improved its ability to track its costs by partially implementing a new cost accounting system that the Congress directed it to develop in 1996. The new system, which FAA expects to be fully operational by the end of 2003, now tracks 70 percent of the personnel, overhead, and other costs related to air traffic services. However, DOT's Inspector General has reported problems with the labor distribution system, which is part of the cost accounting system and is used to account for and distribute air traffic controller labor costs of about $3.1 billion annually to specific facilities and functions. The Inspector General noted that the system omitted important internal controls needed to ensure that the time worked by air traffic controllers would be accurately recorded in the accounting system and paid from the proper account. The Inspector General brought these deficiencies to the attention of FAA, and the Administrator agreed to correct them. The Inspector General further noted that the system as designed could pro-

vide workforce data that would help determine how many controllers are needed and where. These data would assist FAA in planning for the anticipated retirement of large numbers of air traffic controllers in the near and long term.[26] Congressional oversight is important to ensure that FAA follows through and corrects the problems that we and the Inspector General have identified so that FAA can spend its resources on projects and services that will provide the greatest return on the public's investment.

Scope and Methodology

This statement is based primarily on issued reports that are listed under Related GAO Products. However, the sections on the Airport and Airway Trust Fund and the Air Traffic Services Subcommittee reflect our ongoing work for this committee. As a result, the results of this work that we discuss in this testimony are still preliminary.

To assess the current and projected financial status of the Airport and Airway Trust Fund, we obtained financial data from FAA and interviewed FAA officials familiar with the information. To assess the status of efforts to implement the new structure established under AIR–21 to improve the oversight, management, and operation of the air traffic control system, we analyzed the legislation and related executive order, the Administration's reauthorization proposal, and the first report of the Air Traffic Services Subcommittee. We also interviewed officials from FAA, the Air Traffic Services Subcommittee, and aviation industry organizations. We performed our work in accordance with generally accepted government auditing standards.

Contact Information

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RELATED GAO PRODUCTS

FAA Purchase Cards: Weak Controls Resulted in Instances of Improper and Wasteful Purchases and Missing Assets. GAO–03–405. Washington, DC: March 21, 2003.

Commercial Aviation: Issues Regarding Federal Assistance for Enhancing Air Service to Small Communities. GAO–03–540T. Washington, DC: March 11, 2003.

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National Airspace System: Reauthorizing FAA Provides Opportunities and Options to Address Challenges. GAO–03–473T. Washington, DC: February 12, 2003.

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ENDNOTES

[1] See the Aviation Investment and Revitalization Vision Act, a Senate bill to reauthorize federal aviation programs and the Administration's draft reauthorization proposal, the Centennial of Flight Aviation Authorization Act, or "Flight–100."

[2] U.S. General Accounting Office, *Aviation Safety: FAA's New Inspection System Offers Promise, but Problems Need to Be Addressed*, GAO/RCED–99–183 (Washington, DC: June 28, 1999).

[3] U.S. Department of Transportation, Office of Inspector General, *Report on the Air Transportation Oversight System: Federal Aviation Administration*, AV–2002–088 (Washington, DC: Apr. 8, 2002).

[4] Over the past 5 years, the amount of funding available to airports for planned capital development ranged from about $7 billion to $13 billion annually.

[5] The Airport and Airway Trust Fund was established by the Airport and Airway Revenue Act of 1970 (P.L. 91–258) to aid in funding the development of a nationwide airport and airway system and to fund FAA investments in air traffic control facilities. The Trust Fund is supported by a number of excise taxes, including taxes on passenger tickets, fuel, and cargo.

[6] Under the Passenger Facility Charge program, airports with FAA's approval may charge passengers up to $4.50 for boarding airplanes at their facilities.

[7] U.S. General Accounting Office, *Airport Finance: Using Airport Grant Funds for Security Projects*, GAO–03–27 (Washington, DC: Oct. 15, 2002).

[8] Letters of intent represent a nonbonding commitment from FAA to provide multiyear funding to an airport beyond the current AIP authorization period.

[9] This was the average for 1998 through 2002.

[10] In addition to runways, the plan addresses capacity enhancements designed to make more efficient use of the airspace.

[11] U.S. General Accounting Office, *Aviation Infrastructure: Challenges Related to Building Runways and Actions to Address Them*, GAO–03–164 (Washington, DC: Jan. 30, 2003).

[12] U.S. General Accounting Office, *National Airspace System: Long- term Capacity Planning Needed Despite Recent Reduction in Flight Delays*, GAO–02–185 (Washington, DC: Dec. 14, 2001).

[13] U.S. General Accounting Office, *Commercial Aviation: Issues Regarding Federal Assistance for Enhancing Air Service to Small Communities*, GAO–03–540T (Washington, DC: Mar. 11, 2003).

[14] U.S. General Accounting Office, *High-Risk Series: An Update*, GAO–03–119 (Washington, DC: Jan. 2003).

[15] These five programs are the Wide Area Augmentation System, Standard Terminal Automation Replacement System, Airport Surveillance Radar–11, Weather and Radar Processor, and Operational, Supportability, and Implementation System. See U.S. Department of Transportation, Office of Inspector General, *Reauthorization of the Federal Aviation Administration*, CC–2003–058 (Washington, DC: Feb. 12, 2003).

[16] U.S. General Accounting Office, *National Airspace System: Better Cost Data Could Improve FAA's Management of the Standard Terminal Automation Replacement System*, GAO–03–343 (Washington, DC: Jan. 31, 2003).

[17] This is a result of 1995 legislation that granted FAA broad exemptions from laws governing federal civilian personnel management found in title 5 of the United States Code.

[18] U.S. General Accounting Office, Human Capital Management: *FAA's Reform Effort Requires a More Strategic Approach*, GAO–03–156 (Washington, DC: Feb. 3, 2003).

[19] Commercial aviation includes both large air carrier operations and smaller commuter operations. General aviation includes a wide variety of aircraft, ranging from corporate jets to small piston-engine aircraft as well as helicopters, gliders, and aircraft used in operations such as firefighting and agricultural spraying.

[20] U.S. General Accounting Office, Aviation Safety: *FAA's New Inspection System Offers Promise, but Problems Need to Be Addressed*, GAO/RCED–99–183 (Washington, DC: June 28, 1999).

[21] U.S. Department of Transportation, Office of Inspector General, *Report on the Air Transportation Oversight System: Federal Aviation Administration*, AV–2002–088 (Washington, DC: Apr. 8, 2002).

[22] FAA has responsibility for maintaining the security of its air traffic control facilities and computer systems.

[23] As of January 2002, over 8,000 FAA employees (17 percent of its workforce) had been issued commercial purchase cards. In Fiscal Year 2001, FAA made over 364,000 purchases using these cards.

[24] U.S. General Accounting Office, *FAA Purchase Cards: Weak Controls Resulted in Instances of Improper and Wasteful Purchases and Missing Assets*, GAO–03–405 (Washington, DC: Mar. 21, 2003).

[25] Department of Transportation, Office of Inspector General, *DOT's Top Management Challenges* (Washington, DC: Jan. 21, 2003).

[26] U.S. General Accounting Office, *Air Traffic Control: FAA Needs to Better Prepare for Impending Wave of Controller Attrition*, GAO–02–591 (Washington, DC: June 14, 2002).

The CHAIRMAN. Thank you, Dr. Dillingham. Senator Stevens.

STATEMENT OF HON. TED STEVENS, U.S. SENATOR FROM ALASKA

Senator STEVENS. Thank you very much. I have to go back to that conference, but Ms. Van de Water, I do not know if you realize it, but the Essential Air Service was created by this committee at the time of the deregulation of the airlines and elimination of CAB specifically for the Alaska communities that were small communities that had only access to the world by air, and there are some, almost 200 of those. Many of them, in terms of today, now have unemployment ratios of 80 to 90 percent. They have no tax base because they are surrounded by Federal lands that have been withdrawn for parks and wildlife refuges and wild and scenic rivers, and forests.

I would urge you to come up with Ms. Blakey and visit us, because I do read with interest your statement that said we recognize there are certain circumstances under which a community might not be required to make a financial contribution due to special geographical considerations. I think inability to pay ought to be one of the considerations, too. Have you taken that into consideration?

Ms. VAN DE WATER. That is not specifically contemplated in the drafting language, but I think your State, as well as the State of Hawaii, would qualify under the special geographic considerations. Your communities generally are only accessible by air, and we are aware of that. That is also the case with some of the communities in Hawaii.

Senator STEVENS. I understand the geographical concept, but there are some that even including geographical location just have an inability to pay. I would urge you to consider that. I think some of them even have an inability to pay to go through the process to make applications. I would urge you to come take a look at some of those areas.

I do not know what to do about them. They are totally isolated. They are totally impoverished. Their economy is gone. The mining operations are gone, the timber operations are closed, the oil and gas wildcatting is closed, tourism is impossible, and they have no basic income, other than what they get from the State or Federal Government. I just would like you to visit a couple of those places, if you can.

Thank you, Mr. Chairman.

The CHAIRMAN. Ms. Blakey, more than $560 million in the AIP was used for security-related expenses in Fiscal Year 2002, which was up from $57 million the previous year. Earlier this year, TSA Under Secretary Loy testified that TSA would like to have, quote, one more bite at the apple, unquote, in 2003, and use a similar amount of AIP for high-priority security projects.

Now, in the bill we are considering we block the use of those funds, although it may be too late for the 2003, it may not. What is your view on this one more bite at the apple idea that Secretary Loy seems to be supporting?

Ms. BLAKEY. Well, I do not want TSA to bite too close to the core, I will tell you that, so the bite analogy makes me a little nervous. That said, I believe that we have factored in the needs for these airports this year again in a way that we can sustain the requests that are coming in for security projects up to about the same point as last year, somewhere above $500 million.

By virtue of the kinds of approach this committee and others took with AIP funding previous to 9/11 we got a little bit ahead of the curve on some of the maintenance areas with our airports, therefore things like pavement, for example, we are still not in a situation this year where we are likely to really be undercutting absolutely required work that has to be done from a deteriorating standpoint.

We have got a number of projects that are underway, and we will be able to sustain them, but come next year I think there is no question about the fact that we will then be cutting in both to the kinds of ongoing work that has to be done to maintain our capacity,

and certainly in terms of improvements we will have some problems.

The CHAIRMAN. Well, I want to assure you that we will take this issue seriously in consideration in this legislation. I do not think we can continue to take that much money out of AIP without paying a very heavy price later on.

Do you agree with that, Dr. Dillingham?

Dr. DILLINGHAM. Yes, I do, Senator. Last year, because of that half billion dollars bite, I think our research showed there was close to $148 million in funding for reconstruction, $156 million for bringing airports up to standards, and three letters of intent for runways that were not issued, so it can definitely have an effect.

The CHAIRMAN. Ms. Blakey, the DOT Inspector General recently noted, and I quote, cost control must become an imperative for FAA, which has not been the case for sometime. First of all, Dr. Dillingham, do you agree with that statement of the DOT Inspector General?

Dr. DILLINGHAM. Yes, Mr. Chairman, we do. As we said in our statement, there are at least a couple of places where cost controls are very important in a time when resources are becoming more and more limited.

The CHAIRMAN. Now, Ms. Blakey, I was part of the legislation that we gave the FAA unusual authority to set up its own personnel system because we thought that the FAA could probably do it better. I have been one who disagrees with micromanagement by Congress in legislation, but clearly, you failed, the FAA—not you personally, but the FAA has failed miserably in the view of every watchdog organization. Now, you have got to get these costs under control.

I do not know if we need a legislative remedy. I think Senator Lott may have some views on that, as well as Senator Rockefeller, but (1) you have got to get it under control, and (2) do you believe that we need some legislative remedies?

Ms. BLAKEY. Well, as you know, I have been there a full 7 months, so I will not pretend I have all the answers on this front right now. The Congress did give the FAA a very unusual charge as a part of the personnel reform, having us negotiate with our employees for compensation. It is virtually unprecedented in the Federal Government, because obviously this is not the same as the private sector, where at the end of the day one can increase profit, therefore change the dynamics on the budget.

The budget is a fixed matter, and with that in mind I think it has certainly proven that that in particular has driven up the operating costs of the FAA. 80 percent of our operating cost is in personnel, so one has to look at that very carefully.

At this point, I am committed to working through the negotiations we have with our unionized workforce. Most of the parts of the FAA right now are without a working contract. We are still trying to make that possible, but I will tell you it is a great challenge, and I think that the Congress will probably be seeing, therefore, some of these negotiations come to an impasse and come to the Congress unless we are able to work through more successfully than the last Administration was on that front.

The CHAIRMAN. Thank you. Dr. Dillingham, do you have any comments on that issue, and thank you for your good works, by the way.

Dr. DILLINGHAM. Thank you, Mr. Chairman. I think that some of the remedies that Congress has already provided need to work themselves out a little more before legislation would be necessary.

As you know, prior to Administrator Garvey's tenure I think the average tenure for the Administrator was about 18 months, so priorities kept shifting. We have said all along that the remedies are there, but they need to be fully implemented, and the Congress can help by making sure that they are fully implemented.

The CHAIRMAN. Would you do us the favor of providing us, the Committee, with the specific remedies you think need to be enforced that are existing, for the record?

Dr. DILLINGHAM. Yes, sir.

The CHAIRMAN. Thank you. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman. I want to get back, Ms. Van de Water, on this EAS thing. Senator Stevens really did make a point, the geography is one part of it. I do not know, have you ever been to West Virginia?

Ms. VAN DE WATER. Yes, sir.

Senator ROCKEFELLER. Where?

Ms. VAN DE WATER. In the Shenandoah River, rafting. It was a vacation.

Senator ROCKEFELLER. There are no airports near there.

Ms. VAN DE WATER. I drove.

Senator ROCKEFELLER. But it is a nice ride. It is a nice ride.

The question of airports, not having the money to pay, is very real. Now, you can take the point of view that, well, air traffic is down, the economy is bad, and you can react to that in two ways. One, you can say, well, because the economy is down, we do not have the money, or you can say, because the economy is down it is because there is something called the FAA, the Department of Transportation, we have an obligation to make sure that transportation works, and I would assume if I were working for the DOT I would take that second point of view.

I really believe that if you end Essential Air Service and the ability for communities to improve their prospects through lengthening runways or whatever, it is like rolling up the interstate highway system. I do not think there is any difference. I mean, I make a point, which is either right or wrong, and I do not really care at this point, that airline travel and air cargo travel is as important to this country as truck travel and passenger car travel on highways. I think they are about equal, and for the future I think airlines continue to grow in importance, and air travel, air cargo continues to grow in importance.

Now, all of that identifies a very interesting question. If a community is small and remote, but has, for example, Americans living close by, we generally in America do not distinguish between Americans who live in cities as being more important than Americans who live in rural areas. We do understand sometimes they have more services available. We do not decide to cutoff services.

You did that actually in Essential Air Service, and you cutoff the Small Community Air Service Development Pilot Program, and

then you created the Small Community Transportation Service, and when I see a name like that I get nervous, because I cannot identify with what it is going to do, and I do not know what it is going to do.

Now, you have indicated that you will look at exceptions and take into consideration geography, and then you have made another statement as to Alaska and Hawaii, but airports can survive and be essential in their air service and not have the money to pay. Now, if you get to that situation you can say, well, I am going to push you to your limits. You have not done it before. You do not want to, I understand that, or some of you have not, and I am going to push you to your limits, but what if their limits, in fact, are because of those precise lacks of passenger and therefore revenue to them, and security, this and that. What if they really cannot pay.

Ms. VAN DE WATER. Senator, we would like to give as much discretion to the Secretary as possible in these programs.

Senator ROCKEFELLER. That makes me nervous, too. You see, discretion means that there is no pattern. There is nothing that any airport can count on and plan on.

Ms. VAN DE WATER. But if we do not have discretion, we are forced to treat a community that, for instance, is under 60 miles from Syracuse, New York, which has dozens and dozens of jet flights a day to several different hubs, including low-fare service by Jet Blue, we are statutorily required to treat that community just like we treat a community in the middle of Montana that is 6 hours from a hub, or one in West Virginia that may be several hours from a hub, maybe not on a good road, and maybe cannot afford to pay, but if we do not have discretion, we quickly run out of money, because we have to treat each EAS community exactly the same, and that is the problem we face in the program now.

The New York community—which can hop in a car, it is a straight interstate shot down to Syracuse, be at Syracuse in an hour, and fly many places across the country—has the same right as your community does, or a community in Montana, or in Nebraska, which might be just as isolated, so if we do not have the discretion, we do not have any way to effectively manage the resources for the program.

Senator ROCKEFELLER. So you would divide your discretion sort of literally into those which are close to major hubs and those which are not? I mean, our hubs are Pittsburgh, which is fine if you are in the northern part of the State, and Atlanta, which is a great distance off, and, to some extent, Dulles, but we just have Bluefield, West Virginia; Beckley, West Virginia; Huntington, West Virginia.

I mean, I watched, like Senator Stevens, when all of these Eastern, United, all had jets flying in and out, and then 1978 came and wise people voted against deregulation. I was not here, so I could not do that, but I would sure love to.

But it is a very, very damaging situation, the same situation in Mississippi. California north of San Francisco is rural. Every State has rural places, and I just want to make sure that—I mean, did you talk with any of these EAS communities?

Ms. VAN DE WATER. Yes, sir, we did, and we looked at the GAO report and other studies have been done, and we have extensive experience with EAS, too. I think I mentioned in my hearing a few weeks ago I spend more time on EAS than any other airline issue out there, including security and including the war, including SARS or any other aviation issue that might be up. We work a whole lot with EAS communities.

Senator ROCKEFELLER. Good. OK, well, that is good.

Ms. Blakey, I would just ask a question of you. Fundamentally, GAO suggested you may have as many as 5,000 air traffic controllers retiring in the next 3 to 5 years.

Ms. BLAKEY. That is correct.

Senator ROCKEFELLER. How long does it take you to train?

Ms. BLAKEY. This varies, of course, with the facility. Somewhere between 2 and 4 years. I think GAO used 3 as a good number, and so I would suggest it depends, but 3 is a good number.

Senator ROCKEFELLER. Are you going to be able to do this?

Ms. BLAKEY. I think so. Certainly we see from the numbers we have right now that we are requesting for next year just over 300 additional controllers to overlap with the existing workforce to start ramping up on this training.

It is certainly our anticipation that we are going to have to do that for a number of years to come to cover this anticipated bubble. There is nothing very scientific, of course, about retirements. You cannot predict exactly how this is going to fall, nor from which facility and how it will work, but we are working carefully this year to try to fine-tune this projection. I think the work GAO did, though, is fundamentally sound, and we are trying to build on that.

Senator ROCKEFELLER. Are you going to have the money to do this, the training and hiring?

Ms. BLAKEY. The training and the money for the work that we are projecting, yes. In fact, we have built it into the request for $14 billion for next year's budget.

Senator ROCKEFELLER. Will the FAA Director and the Department of Transportation and the Secretary be willing to contemplate with a warm smile a bill that might emerge from this committee?

Ms. BLAKEY. As to the reauthorization broadly? Well, I should certainly think so. We are looking forward to working with you.

Senator ROCKEFELLER. I mean, we are good people. You like to work with us, right?

Ms. BLAKEY. Absolutely. We are impressed by the momentum, certainly, and we are impressed by the areas of real consensus that are clearly there, so we look forward to working with you on it.

Senator LOTT. How about that. That is good.

Senator ROCKEFELLER. I think that is good. Thank you, all of you.

Senator LOTT. (presiding) Thank you, Senator Rockefeller. We are glad to have Senator Lautenberg with us, and I will call on you in a moment, Senator Lautenberg, but let me ask a couple of questions that I have been sort of saving up here.

Administrator Blakey, thank you again for your work. Now, our bill makes this a 3-year bill. Your proposal was 4 years. Some on the Committee would like for it to be only 2. I hear the House is

thinking 4. What difference does it make? What would be the preferred number? Obviously, you have suggested 4.

I am inclined to like it longer, personally, because of what I said at the beginning. It gives predictability and stability, what they can count on. They can look down the road, and that is what I am hoping, that in a year or two we are going to see the aviation industry, having gone through all kinds of changes, gaining strength and making a profit again, and I think the reliability of the program would help in that.

Ms. BLAKEY. Well, certainly I would agree with you. I think that principle is a very sound one, and whether it is 3 or 4 I think certainly could be debated. The reason we selected 4 is that the revenue streams that support the trust fund, in other words the tax base and the statutory requirement for those taxes expire in 2007, and so in light of that, we felt that that would probably be a good year to consider, then, reauthorization, because at that point, there will be the opportunity to look at the revenue streams going into the trust fund and, as you know, between now and then we are all projecting that the trust fund will diminish.

Senator LOTT. We have a problem with the cost in providing for the new explosive detection devices, the EDS, and very large estimates of what that is going to cost over the next few months, and I guess the next couple of years, and we are trying to find a funding mechanism that would help pay for that and not have it come out of the AIP fund, as we have all talked about and Dr. Dillingham has spoken about, and Senator McCain and I care about it.

Now, we do have in our bill, I believe, a proposal that would say it would take the security fund piece and put that into a fund for grants to pay for this. That was one way to go. I can imagine the airlines do not particularly like that either. They would like that fee to go away. What do you think about that mechanism, or do you have any other ideas of how we might do this?

Ms. BLAKEY. Well, certainly we were glad to see that it was not looking to the AIP funds for the ongoing support for EDS and other security requirements. The $2.50 security fee that, of course, is currently being charged is much debated at the moment, and I know that in some of the various stimulus packages that are being considered by this Congress it is therefore in play, but certainly from the standpoint of the FAA, since this is not a fee of ours, I would simply say that I was glad to see that you all did not look to AIP.

Senator LOTT. Have you got any other ideas?

Ms. BLAKEY. This is the hard one. I am afraid I do not.

Senator LOTT. Ms. Van de Water, thank you for your testimony. The Small Community Air Service Development Pilot Program you talked about the last time, you said you still did not have perhaps enough information about the results. I hear it has worked well. Does the Administration have a problem with us extending that program?

Ms. VAN DE WATER. I think we would like to have more time to get feedback. Your community of Meridian has done very well. It started up quickly. Not all communities have started up quickly. Some have not even expended any of their funds yet. I think we would like some more time to look at it, but we tried to take some

of the more attractive parts of it and put it into our central transportation service to let more communities participate.

Senator LOTT. Now, on the local match proposal, do you want to expand any more on the local match? You are going to get resistance from this community about any kind of local match, 25 percent, 10 percent, or even 5 percent, but I maintain—and I must state it is hard for us to come up with a match, we are one of the poorest States in the Nation, but I view it as anyone who gets a benefit ought to pay a little.

Ms. VAN DE WATER. Meridian came up with a match.

Senator LOTT. Especially when it creates growth in the economy and creates jobs, some sort of match it seems to me is defensible.

Ms. VAN DE WATER. And Meridian came up with a good match. They got a $500,000 grant from the Federal Government. They came up with $140,000 of local match. We have some communities that came up with over $1 million of their own match. The match does not have to come just from the community. It can come from the State, it can come from business sources, it can be a travel bank. We have a lot of flexibility there, but we think that is the best way for a community to get vested in their service, and to have a true incentive to actually use the service.

We have a community now, for example, that is enplaning three passengers a day on over 50 seats a day, and they are 72 miles away from a major hub, and they came in to see us recently very upset that we would contemplate not extending their EAS service, which has gone over the statutory maximum of $200 per person. They are enplaning three people a day, so until there is some buy-in, we are not going to get the kind of support we need for the program.

Senator LOTT. Dr. Dillingham, thank you again for your appearance. In a previous GAO report you found that Federal fiscal discipline may require various changes in the EAS program, and you put forth a set of options changing eligibility criteria requiring community matches, consolidating service to multiple communities, and changing the subsidy to a grant.

Do you still stand by that, or do you have any other suggestions you might want to offer on EAS, because that is an area where our bill is not set yet, and we are going to be considering a number of options there to try to make it the best program we can.

Dr. DILLINGHAM. Chairman Lott, many of the things that we suggested in our earlier report are contained in the proposal that is on the table now for the small community service, and we stand by that. I would like to add, there are going to be pockets of pain, particularly in those places that will not have a subsidy, whether it is 10 percent or 5 percent. That have to be addressed.

For some communities, coming up with the 5 percent match will be difficult. As such, I think it is important that some of the alternative transportation modes that are a part of the service will be really strong if we come to that point.

Senator LOTT. Because of time considerations, and I know Senator Lautenberg will have some questions or make some comments, two sections I wish you would take a look at, Administrator Blakey, are section 212 of the bill, prohibition on requiring airports

to provide rent-free space for FAA or TSA. I think there is a big problem with TSA taking space and not paying for it.

I think TSA is demanding things now that are unfunded mandates, like telling small regional airports you have got to reinforce the east front of your terminal, which they cannot afford, it is ridiculous, and you must do random searches of cars in public airports. What I tell my local officials is, tell them no. Justify it, or give me the money, or no.

So I do hope you will take a look at that. Some of the things that have been happening in the name of security, legitimately I think we did everything possible, and I think maybe we have overreached a little bit, and we begin to be a little more practical and use a little more common sense, and also section 502, cost-sharing of air traffic modernization projects, I invite your attention to that section. Let me know what you think about it later on, perhaps.

Senator Lautenberg.

STATEMENT OF HON. FRANK LAUTENBERG, U.S. SENATOR FROM NEW JERSEY

Senator LAUTENBERG. Thank you, Mr. Chairman, and thank you, Ms. Blakey and Ms. Van de Water and Dr. Dillingham. I am particularly focused in one area at the moment, and I greatly respect the responsibility and the work that is done by each of you in connection with our aviation interests, and the condition of our system, and what we might be looking for in the future, and there are so many important issues facing us and I look forward to working with our Chairman to see if we can make some improvements here.

We all know that it costs more, and we are trying to do more for less, and that is a tough situation. I am particularly concerned about the moves that are suggested toward the privatizing of the air traffic control system. I know Ms. Blakey has heard me talk about this before.

In the aftermath of September 11, the American people demanded one thing in particular of their Government, and that is, they wanted committed, trained personnel to perform security screenings of baggage at our Nation's airports. We saw that mammoth change that took place with the baggage handlers. Salaries went up, thank goodness, for people who were doing the screening, to an extraordinary pace, because the pay scale was unfair to those who would have talent and ability, so we made the change, and at the same time now we are taking a look at the possibility of taking our Federal air traffic controllers and flight specialists, flight service station controllers, who are top flight professionals, very well-trained in every one of those positions.

That is a skill, and you have to develop a kind of a sixth sense to do that job properly, but when you come to air traffic controllers and recognize that it is not a single bag that you are trying to pick up, but rather trying to protect lives of a few hundred people aboard, or whatever it is, it is an enormous responsibility, and to suddenly turn to the cheaper way of doing things does not sound like it is the right way to go for me. I think our colleagues here will agree, as the testimony that we gather, the information that we develop is put in front of everybody.

So I was so surprised to hear that the Administration's air traffic control of its, "inherently governmental," status last year setting the stage for privatization. To me that makes no sense, especially after September 11. The people felt safer with Government staff in control rather than private contractors, and the job that was done that day to close down the system in an orderly fashion was quite an undertaking, and very well done, and I do not think that the public, hearing the details here, would be particularly happy to understand that we are gong to put it out to the lowest bidder.

Ms. Blakey, I understand that the FAA is conducting a study for contracting out flight service station controllers. How much is this study costing?

Ms. BLAKEY. The study that was done looked at the flight service station services, which are largely providing weather information—this is not, of course, the group that controls traffic.

Senator LAUTENBERG. But they are all included in the not inherently Government, right?

Ms. BLAKEY. The distinction I would make is this. The flight service stations are a group of employees, who are largely providing for the general aviation community and some of the business community weather information, and it is something that, after a study was done to see if they could be a market alternative, that determination was made that we could.

Now, the work we are doing otherwise is internal, and it will take a couple of years to go through what is called A–76 process, which allows the opportunity for the existing pool of employees to put forward a proposal to do this as efficiently as possible and provide for others in the private sector to do the same thing.

The A–76 process is one that has proven to result, in an average of about a 30 percent reduction in cost, whether or not the ultimate contract stays within house—within the Government—or goes into the private sector. I would point out that our employees have an advantage. If they are within 10 percent of the bids that come in from the private sector, they will be able to provide the work, but right now, this is a significant area of cost for the FAA, over $300 million a year, and we have definitely found that the same services can be offered from the private sector.

This is a process that the Congress put in place with the A–76 process many years ago, and as we analyzed it, this is an area I think for the FAA to look for some cost savings.

Senator LAUTENBERG. I wonder whether, if we were doing cancer research and research on other diseases and problems of humankind and said, OK, we are going to get into the laboratory, but you have got to be the cheapest, or among the cheapest ones in town, how Americans would feel about that, or go to the Bethesda Naval Hospital and say, OK, what we are going to do is, we are going to find the cheapest way to do it. There are some jobs you would not dream of doing a cost search on before you determined whether or not that ability is there.

I would hate to have my family flying around up in the sky while there is a labor dispute in a given company, and there might be an agreement that that would be excluded from any negotiation, that the rules would be strict and so forth, but I would not want to have a disgruntled person out there managing the flight service

or doing the work at an airport and saying, well, we have been a little skinny on the wages, but this guy works hard so let him stay at the desk, even though the price factor was the one that got us there.

Ms. BLAKEY. Let me just reaffirm for you the fact that we do not have any intent to move toward privatization of any of our towers, air traffic control facilities, centers, *et cetera.* This is really those that are actually controlling traffic. There is no move to move further into privatization. As you know, the contract tower program has proven to be one that has worked well over many years.

Senator LAUTENBERG. And small centers.

Ms. BLAKEY. Exactly, and those are little activity airports where in fact in some cases we simply would not have towers at all and be able to provide service, so that is something that for over 20 years has worked well, but we are not talking about substantially increasing it nor making any change for our controllers in terms, as I say, of our towers, TRACON's, and centers.

Senator LAUTENBERG. If that is the case, why don't we immediately in our statements eliminate that group from any consideration and say, look, they are outside the loop. We are not going public-to-private ownership with that.

When we look at the countries that have gone private, the U.K. and Canada and so forth, there have been all kinds of problems, Mr. Chairman, where we have had to bail out a couple of the companies because they could not make it under the rules, under the conditions that they took the contracts, and imagine that.

I mean, we are so dependent on aviation and the progress we have made in our system, to have a price of service become a debate while maybe a million people a day are flying across America, you get the sense, Ms. Blakey, I do not like the idea.

Ms. BLAKEY. I definitely do.

Senator LAUTENBERG. I did not mean to convey that.

But anyway, Mr. Chairman, I have several other questions. I wanted to tell you, Ms. Blakey and I have had conversations. She is really a top flight executive and doing a good job, and I am sure down deep she really hates to scream with me, but I thank all of you for your participation.

Thank you, Mr. Chairman.

Senator LOTT. Thank you, Senator Lautenberg, and I want to thank the panel again. We are looking forward to working with you over the next month and getting this legislation into law. Thank you.

Senator LAUTENBERG. I would submit other questions.

Senator LOTT. Yes. Any questions you would like to submit for the record, I am sure the witnesses would be glad to respond in writing.

The hearing is adjourned.

[Whereupon, at 11:25 a.m., the Committee adjourned.]

APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO MARION C. BLAKEY

Question 1. More than $560 million in AIP was used for security-related expenses in FY 2002, up from only $57 million the previous year. Earlier this year, TSA Under Secretary James Loy testified that the TSA would like to have "one more bite at the apple" in FY 2003 and use a similar amount of AIP for high priority security projects. What effect has the use of the $560 million in AIP in FY 2002 had on other safety- and capacity-related airport improvement projects? What is your view on the use of AIP funds for even more security costs in FY 2003? What affect would the use of AIP at FY 2002 levels have on other projects in FY 2003? Long-term, what is your view on the use of AIP funds for security-related projects?

Answer. Despite record levels of AIP expenditures in FY 2002 to help airports meet new security requirements imposed in the wake of the terrorist attacks of September 11, the FAA was able to fund all AIP requests for safety projects, including runway safety areas and runway safety action team recommendations; letter of intent commitments; noise mitigation and reduction projects, ongoing phased projects; and congressional earmarks. The LOIs and phased projects represent commitment of significant AIP resources to capacity projects. The FAA also provided substantial AIP funding for rehabilitation projects, though there was a reduction in reconstruction and standards projects.

Working collaboratively with TSA and the Department of Transportation, the FAA has committed to make a comparable level of AIP funding available for security projects in FY 2003—with a significant share going toward terminal modification and reconfiguration costs associated with in-line EDS deployment. These costs were made eligible for AIP funding for the first time in the Aviation and Transportation Security Act. We are confident that the system can sustain this level of AIP support for security for one more year without compromising other national objectives in building and sustaining this nation's system of airports.

The FAA does not anticipate that the unprecedented level of security needs will be sustained on a continuous basis, once deployment of explosive detection systems for check baggage is fully implemented. Therefore, we do not anticipate that this tension will be sustained on a long-term basis. In the mean time, the FAA will continue to work closely with the Secretary of Transportation, the TSA and this committee to assure that the appropriate balance is struck between funding for security and other national priorities.

Question 2. The Administration bill contained a number of changes related to FAA management. Which of these do you believe would be the most useful to you as the FAA's Administrator?

Answer. It would be difficult to choose one—as all of the proposed changes improve the management of the FAA. The changes related to the COO improved the ability to recruit for the position and will make the job more easily defined as a COO. The changes proposed for the Management Advisory Council and Air Traffic Services Subcommittee reflect how they interact with the FAA, therefore making the changes to law a requirement. We would hope Congress would appreciate the need for all of these management changes.

Question 3. In its reauthorization proposal and in its budget request, the Administration proposes a major "spend down" of the Airport and Airway Trust Fund over the next several years. How would the "spend down" of the Trust Fund affect capital programs like AIP? Doesn't such a "spend down" mean that a tax increase is needed after FY 2007?

Answer. We remain committed to using the Airport and Airway Trust Fund (AATF) only to fund the Department's aviation programs, but in a change from AIR–21, the Administration is proposing to increase our use of balances that have built up in the Trust Fund.

The Administration's spend down proposal does not impact capital programs. These programs are maintained at comparable levels to those provided under AIR–21.

Under our budget and reauthorization proposals, we are projecting an uncommitted balance of just over $1.1 billion at the end of FY 2007. This balance would be down from a $4.8 billion uncommitted balance at the end of FY 2002.

FY 2004 Funding ($ in millions)

FAA Account	Under AIR–21 formula	Under FY04 Pres. Bud.
Facilities & Equipment	2,916	2,916
Grants-in-Aid for Airports	3,400	3,400
Research, Engineering & Development	100	100
Operations (Trust Fund)	4,511	6,000
Operations (General Fund)	3,080	1,591
Total	14,007	14,007

At this time it does not appear that a change in the current aviation excise tax structure is warranted in order to maintain a positive uncommitted balance even though the AATF is being spent down over the next few years.

Question 4. As you know, the FAA was given unusual authority by the Congress to set up its own personnel system, including setting its own pay structure. The expectation was that in return, the FAA would hold its employees more accountable and develop more of a performance based culture. Based on work by the GAO and the Inspector General, it is fair to conclude that this hasn't happened.

- How are you addressing this issue?
- Do you believe that any legislative changes are needed to the FAA's legislative authority in this area?
- Do you believe you can achieve a truly performance based culture at the FAA?

Answer. I believe that since the implementation of personnel reform in April 1996, the FAA has made significant progress in implementing innovative human capital management policies, systems and practices that supported achievement of the agency's mission, business objectives and goals, and helped transition the organization to a more performance-based work culture.

In a 1999 congressionally mandated evaluation of personnel reform, the National Academy of Public Administration's Center for Human Resource Management described the scope of FAA human capital reform as a large scale change management initiative that was unparalleled in the Federal sector. Change of this magnitude takes on average seven to even 10 or more years to implement successfully. Based on this benchmark, the FAA is on course in moving away from an entitled and bureaucratic work culture to one driven by performance and innovation.

The existing personnel reform flexibilities related to staffing and pay have significantly increased managers' accountability for strategically managing their workforce. We have delegated flexibility to FAA lines of business to determine recruitment sources, methods of advertising jobs, and methods for evaluating and interviewing applicants. Managers have flexibility in setting pay and the use of recruitment and retention incentives under a market-based compensation system. These reform initiatives have allowed the FAA to be more competitive in acquiring and retaining the talented workforce necessary to perform our mission and meet emerging business challenges.

We established annual corporate Organizational Success Increase goals, which are aligned with satisfactory performance against FAA mission objectives and directly linked to pay increases to achievement of organizational goals. As part of our market-based compensation system, annual Superior Contribution Increases are provided to top performers, who make superior individual performance contributions. For each FAA executive, we established annual Short Term Incentive stretch goals, directly aligned with accomplishing results beyond normal performance expectations. Alignment of individual employee performance expectations with agency goals created an important line of sight between individual performance contributions and organizational goals, and improved the FAA focus on obtaining results.

We further strengthened the agency's performance culture by developing and implementing a new performance management system that was designed to ensure effective employee feedback, performance coaching, recognition, and communication of

performance expectations. This increased emphasis on managing performance reinforces continuous improvement aligned with obtaining mission results.

Using the tools provided to us by Congress, FAA has become a more accountable and performance-based work culture by designing and implementing human capital best practices that meet our business needs. We successfully implemented key human capital initiatives in staffing, compensation, performance management and executive systems for our large 50,000 member mostly technical workforce that is highly unionized, deployed globally, and operated in a business environment driven by dynamic change.

Question 5. The DOT Inspector General recently noted that: "Cost control must become an imperative for FAA, which has not been the case for some time." What can you do, and what can we do to help you, change the culture of the FAA to make cost control imperative?

Answer. FAA's Management Team is now completing a new Strategic Plan. One of the four goal areas is "Organizational Excellence" which has as one of its three objectives to "Deliver services to our customers while controlling costs." A key initiative is to develop and implement an agency-wide cost control program using data from the Cost Accounting and Labor Distribution Reporting systems. The creation of this objective and the associated cost control program signals a major cultural shift in the FAA, which underscores my personal commitment to control costs.

Question 6. The Inspector General (OIG) also noted that five major acquisitions out of 20 that the OIG tracks have experienced substantial cost growth totaling more than $3 billion (from $2.8 billion to $5 billion), which is equivalent to an entire year's budget for FAA's modernization account. Also, these same five acquisitions have experienced schedule slips of 3 to 5 years. What can we do in this area?

Answer. The FAA is working to improve methods for controlling the growth of baselines for major programs. We have changed our process to allow for additional time to develop accurate cost and schedule estimates prior to award of a contract. This has resulted in more stable baselines. In addition, the FAA has identified its highest priority programs in order to ensure that resources are made available as required to complete development of planned capabilities as scheduled.

The FAA has incorporated a series of management control processes and tools that will improve the tracking and reporting of costs, management of schedules, and the technical performance on major acquisition programs. We are also implementing core management training with the objective of obtaining program management certification for our executives, project managers, and supervisors.

Data is collected and analyzed on a monthly basis and incorporated into the agency's decision process for managing program tasks and goals. Senior level managers are provided detailed program performance status through periodic Acquisition Program Reviews, reports, and briefings.

Question 7. Do you have any progress to report in the hiring of a Chief Operating Officer (COO) for the air traffic control system? What is you timeframe for having a COO on board?

Answer. As you know, the search for the right candidate to fill this important position has been one of Secretary Mineta's and my top priorities, and we have found that person. Recently, we selected Russell G. Chew to serve as Chief Operating Officer for the performance-based Air Traffic Organization (ATO) within the FAA. I am delighted to have someone of his caliber join our team.

Mr. Chew has nearly two decades of broad aviation industry experience including service on many aviation industry committees in support of national airspace modernization as well as his work for a major airline. Mr. Chew will report for duty August 1, 2003.

Question 8. The airline industry is fundamentally restructuring itself due to the economic crisis it is facing. Some airlines are changing how they are operate—for example, some are increasing reliance on regional jets or are increasing point to point service, rather than using hubs. These changes will affect how and where air traffic will occur. What is the FAA doing to adapt to this reshaped industry?

Answer. It is clear that this is a critical time for the aviation industry, as they cope with issues of terrorism, war, disease, and overall economic conditions. Air carrier activity levels—both enplanements and operations—are well below those of 2000. We currently forecast that it will take until 2005 or 2006 for industry to regain those highs.

While the industry is restructuring, it is not yet clear exactly what forms will emerge. However, we are confident that growth will resume and recognize a need to make certain that sufficient capacity will exist to serve resumed demand, even as it takes new form. To help industry rebound from its current financial difficulty,

I am asking FAA executives to identify and pursue items to help improve efficiency as soon as possible—an expedited OEP.

Question 9. How has the FAA responded to the Canadian Transportation Safety Board's findings that indicates that the FAA's oversight of its third party certification program (Designated Alteration Station) failed to identify and correct anomalies that existed in the design and integration of a "non-essential" system on the MD–11 involved in the September 2, 1998 tragedy of Swissair Flight 111 which departed from New York, on route to Geneva, Switzerland, with 215 passengers and 14 crew members on board?

Answer. The FAA has taken steps to ensure that its certification personnel are aware of the potential hazards introduced by non-essential systems, especially those that might affect power load-shedding procedures during an emergency. In September 2000, the FAA issued policy requiring that flight crews have a means to manually remove power from such in-flight entertainment systems. Additionally, the FAA is considering new regulations that require circuit breakers not be used as the primary means to remove or reset system power.

The FAA has incorporated guidance in its policy addressing Designated Alteration Station (DAS) programs that require:

—a DAS to consider aircraft manufacturer design philosophies during the supplemental type certification (STC) process;

—a DAS to determine that they have appropriate knowledge and experience prior to performing the STC;

—FAA to assess the DAS's knowledge and experience relative to these issues prior to delegating the program; and

—in-house DAS training to highlight the importance of these considerations in the STC process.

Question 10. How does the FAA verify that "non-essential" system electrical requirements are not on the same electrical cabin buses as "essential" flight control systems?

Answer. The current transport category airworthiness requirements do not prohibit "non-essential" electrical system loads to be connected to an "essential loads" electrical bus. However, the regulations require that "non-essential" loads not interfere with operation of essential systems during normal operations and failure conditions.

The FAA has published policy regarding the connection of "non-essential" cabin equipment to the same electrical buses as "essential" systems. These policies are available to the public. While not legally binding, the policies are used by Aircraft Certification Offices and designees as part of the normal certification process, when reviewing proposed electrical system designs, to ensure compliance with applicable airworthiness regulations.

In addition, FAA has drafted nearly two dozen new and revised aircraft certification regulations that specifically address aircraft wiring issues. Aviation industry wiring experts and foreign aircraft certification authorities have participated in this process. Some of the proposed requirements are power switches for non-essential equipment, improved wire separation criteria, and a wire system safety analysis.

Question 11. Currently, the FAA requires cockpit voice recorders to have a 30-minute recording duration for transport category aircraft. However, the international joint aviation requirements require that airline transport category aircraft be equipped with two-hour CVR recording capability. Are there any plans to require that U.S. planes are equipped with two-hour CVR capability?

Answer. The FAA is finalizing a notice of proposed rulemaking to address National Transportation Safety Board recommendation A–99–17 regarding the mandatory equipage of 2-hour cockpit voice recorders. Currently, the proposed language is in executive-level coordination.

Question 12. What aircraft certification standards currently exist regarding material flammability that are pertinent to the Swissair Flight 111 case? Are there any changes planned as a result of this crash?

Answer. The pertinent regulation that covers the certification standards for passenger cabin and cargo compartment flammability is 14 CFR 25.853, Compartment Interiors. This regulation describes the specific areas and items within the compartments occupied by crew or passengers that must meet FAA flammability tests articulated in Appendix F to Part 25.

As a direct result of the crash of Swissair Flight 111, the metalized polyethyleneterephthalate (MPET or metalized Mylar) cover material used on the thermal acoustic insulation blankets was ordered removed from the fleet. Only the

MD–80/90, MD–11 and ATR–42/72 models were found to use the MPET insulation. The Airworthiness Directives (AD) ordering the removal of this material from service went into effect for the MD–80/90 and DC–10/MD–11 models on June 30, 2000. The AD that applies to the Aerospatiale Model ATR–42–500 and Model ATR–72 series airplanes became effective on May 27, 2003. The compliance time for each of these ADs is five years.

In addition to the AD activities, the FAA initiated a rulemaking project to provide for overall improved flammability standards for thermal acoustic insulation. A notice of proposed rulemaking was issued and a final rule is now undergoing review at FAA. The proposed rule would require that thermal acoustic insulation blankets pass a new "radiant panel" test developed by the FAA Technical Center. The radiant panel test measures a material's tendency to propagate a fire, addressing in-flight fire concerns. In addition, insulation installed in the lower half of the airplane fuselage would have to pass a new test method utilizing a high flow kerosene burner. This test simulates a post crash fire scenario and measures the ability of the insulation to resist penetration of a fire into the cabin, which extends the time for survival and evacuation in an accident.

The FAA (through the Technical Center) is also partnering with industry in a number of research projects aimed at further addressing the inflight fire threat from fires in inaccessible areas. These efforts involve research regarding wire insulation, contamination of hidden materials, the feasibility of utilizing active fire protection systems in inaccessible areas, and techniques for finding and accessing fires in inaccessible areas in current designs. For this last example, FAA equipped both wide and narrow body aircraft and has initiated testing.

The means of addressing fire in inaccessible areas is considered a combination of materials fire safety, fire detection, and fire suppression. The design solutions may vary; an approved installation for one airplane model may not be appropriate for another model. As we further understand the various conditions and issues, the FAA will modify our safety standards accordingly.

Aerospace Questions

Question 1. Can you update the Committee on your efforts to develop new safety regulations for the commercial space launches operation at the Air Force launch ranges?

Answer. The purpose of the Final Rule Governing Licensing and Safety Requirements for Launch is to develop a well-defined process for meeting the FAA's public safety responsibilities with respect to the operation of commercial space launch vehicles from both Federal and non-Federal launch sites. This effort was initiated in a Notice of Proposed Rulemaking (NPRM), published in October 2000, and followed by a Supplemental Notice of Proposed Rulemaking (SNPRM) in July 2002.

The Supplemental Notice of Proposed Rulemaking addressed changes to the October 2000 NPRM in the areas of grandfathering, risk limit for each hazard, and debris thresholds for use in flight safety analyses. The SNPRM also addressed issues of concern to commenters, specifically: (1) cost impacts on licensed launches from Federal launch ranges; and (2) the FAA and Air Force process for relief from common launch safety requirements.

Based on the commercial launch industry's response to the SNPRM, FAA has elected to publish a second SNPRM in September 2003. In this second SNPRM, FAA seeks to better articulate current practice; address comments to the NPRM that are not addressed in the first SNPRM; and close the cost gaps between the FAA and the commercial launch industry. These objectives can be synthesized into four fundamental areas: (1) capturing current practice; (2) removing ambiguities; (3) addressing implementation costs; and, (4) maintaining flexible approaches to space launch.

Question 2. In light of the current situation in the commercial space industry, do you foresee any commercial development of re-useable launch vehicles in the near future? What regulations will be needed to facilitate the launching of these types of vehicles?

Answer. A number of private or commercial companies are planning or in the process of developing reusable launch vehicles (RLVs). Many of these companies have shifted their focus toward suborbital market opportunities where the technical challenges and cost to develop a suborbital RLV are less compared to an orbital RLV. As discussed in a report entitled "*Suborbital Reusable Launch Vehicles and Applicable Markets,*" published by the U.S. Department of Commerce's Office of Space Commercialization, there are a number of current and emerging suborbital markets, which include military surveillance, commercial/civil earth imagery, fast package delivery, high speed passenger transportation, media, advertising, sponsorship, and space tourism. The $10 million X PRIZE competition, which was created

to jump start the space tourism industry, also serves as a catalyst for the suborbital commercial space transportation industry. It is our understanding that the X PRIZE Foundation anticipates that three U.S. teams will attempt launches before January 1, 2005.

The FAA issued regulations to ensure protection of the uninvolved public in the event of RLV launch and reentry activities. These regulations, however, do not specifically address passenger and crew safety. The challenge facing the FAA is to balance the need for regulations to protect public safety and property while not overburdening or stifling a fledgling commercial RLV industry, which proposes to carry humans on board commercial RLVs. The FAA is identifying, researching, and evaluating issues that might have a bearing on future FAA requirements associated with the safety and transport of humans on commercial RLVs. Standards or regulations that are developed for commercial human space flight will influence the development of the commercial RLV industry in terms of vehicle design, operations, and risk management. It is envisioned that vehicle safety standards for safety critical systems, operations and maintenance (O&M) standards, verification standards and human safety standards (e.g., RLV crew qualification, training, and health requirements), as well as additional regulations concerning the operation of reentry sites may be developed in the future.

Question 3. The tragic accident resulting in the loss of the Space Shuttle *Columbia* and its crew focuses new attention on the risks and danger of space activity. How does this impact the safety responsibilities of the FAA in this area?

Answer. The safety responsibilities of the FAA are not changed, however there is an emphasis on the risks associated with reentry activities. The FAA is closely following the Space Shuttle *Columbia* accident investigation and is participating in the accident investigation process. The FAA will assess the adequacy of current debris models used for determining overflight risk to the public, including risk to aircraft that might be flying within the debris area. Further, the *Columbia* accident investigation is expected to provide insight into maintenance and test procedures, particularly applicable to reusable launch vehicles. The FAA will make use of these lessons learned in developing guidance and requirements for maintenance of reusable launch vehicles.

Question 3a. What impact does the Space Shuttle *Columbia* accident have on the ability of commercial launch companies to obtain liability insurance?

Answer. The FAA contacted a number of insurance brokers specializing in aviation and space insurance. It would appear that the tragic loss of *Columbia* has no direct effect on the ability of commercial launch operators to obtain liability insurance in satisfaction of FAA license requirements although, the full effects of the accident may not be revealed until annual insurance programs maintained by FAA launch licensees are renewed. However, the loss of *Columbia* contributes to the perception growing among underwriters and re-insurers since the events of September 11, 2001, that insuring space risk, including launch liability, is undesirable business. Increasing unwillingness of re-insurers to accept space-related risks may limit the availability of launch liability insurance and also increase insurance costs.

Question 3b. What steps are being taken taking to capitalize on any lessons learned from the Space Shuttle *Columbia* accident investigation?

Answer. A member of the FAA Office of Commercial Space Transportation staff is working with the Space Shuttle *Columbia* Accident Investigation Board. Through this effort, FAA will be able to capitalize on lessons learned by obtaining first hand knowledge of all the particular issues. One area for which the Space Shuttle *Columbia* accident will provide insight is the adequacy of current debris risk models. Vehicle breakup, including the characteristics (i.e., the number of pieces, and their sizes and shapes) is a complex and difficult phenomenon to model. The FAA is examining the issue of debris survivability for high speed reentries.

Question 4. The Commercial Space Launch Act specifies that the Secretary of Transportation shall "encourage, facilitate and promote commercial space launches and reentries by the private sector" and facilitate private sector involvement in commercial space transportation activity. How are you working with the Office of Space Commercialization at the Department of Commerce to fulfill this mission?

Answer. The FAA has worked closely with the Office of Space Commercialization at the Department of Commerce (DOC). Both FAA and DOC share data on new launch developments, encourage and facilitate the implementation of space policies which are favorable to commercial space launch sites and operators, and work on interagency groups which facilitate and promote the commercial space launch industry.

Specifically, FAA worked with DOC on the recently completed Liability Risk-Sharing Regime for U.S. Commercial Space Transportation. We have worked together on

the analysis of trade agreements and the impact on the U.S. commercial launch industry. We have discussed with the DOC's Office of Space Commercialization the needs of the commercial launch industry as described by our Commercial Space Transportation Advisory Committee (COMSTAC).

A representative of the DOC's Office of Space Commercialization was a member of a FAA Forecast Conference Panel this past October. More recently, we worked with the Office of Space Commercialization on the Policy Coordinating Committee established by the National Security Council during discussions on the Space Transportation Policy.

In addition, the FAA has participated in a seminar developed by the DOC's Office of Space Commercialization on improving the data systems used for space transportation policy issues and provided data to DOC in support of their publications. Finally, we have worked together in the development of a Memorandum of Agreement between the DOC, the FAA, and the Department of the Air Force on a Spacelift Range Commercial Requirements Process. This process is defined as a formal, repeatable process for collecting commercial sector range support and modernization requirements, communicating these requirements to the Air Force, and considering these requirements in the existing Air Force requirements process.

Question 5. The U.S. commercial space launch industry operates under a risk-sharing arrangement with the Federal Government, commonly known as the "indemnification provision." This program is scheduled to sunset at the end of 2004. Are there any recent circumstances that have affected the necessity for this program since the FAA issued its report last year?

Answer. The U.S. commercial space launch industry continues to demonstrate a solid safety track record and there has been no event requiring implementation of statutory indemnification provisions. However, a number of insurance market-driven factors, outlined below, are coalescing at a time of decreased commercial launch demand and heightened price sensitivity, reinforcing the findings set forth in the FAA report, "Liability Risk-Sharing Regime for U.S. Commercial Space Transportation: Study and Analysis" (FAA Liability Study), that the existing risk allocation regime is adequate, proper, and effective, as well as necessary to maintain a near-level playing field with foreign competitors.

The FAA Liability Study includes an evaluation of the effects of September 11, 2001, on the commercial space transportation insurance market. The report noted the increasing reluctance of underwriters and re-insurers to participate in aerospace risks after September 11, reflecting a re-evaluation of space risk in general. Their participation in space risk is critical to this market segment. Insurance market reactions have continued to evolve in this direction and difficulties in insuring space risk in general have increased due to recent satellite failures while in orbit, in addition to the overall reduction in the aviation liability insurance market following September 11. Although space insurance covering satellite assets is different from launch liability coverage, the FAA is advised that it is becoming increasingly difficult and costly to cover any aerospace risk, including launch liability.

Because of the decline in demand for worldwide commercial launch services since 1999, competition between international launch providers is fierce and prices have dropped. Further increases in the cost to do business would seriously hurt U.S. competitiveness. Foreign launch providers receive indemnification support from their governments. U.S. industry has already indicated paying the expense of indemnification would not allow them to stay in business. This would hold true even under the best market conditions.

At its October 2002 meeting, the Commercial Space Transportation Advisory Committee (COMSTAC) adopted a report effectively endorsing the FAA Liability Study's analysis of the issues and most notably its assessment that maintaining the current liability risk-sharing regime is the only option that achieves four out of the five objectives delineated by the FAA in the study. In forwarding its report, the COMSTAC Chairman stated that "continuation of this regime is critical to the viability and global competitiveness of U.S. space launch providers, which—along with their subcontractors and suppliers—provide assured access to space for military, civil as well as commercial missions." (Letter from Livingston L. Holder, Jr., Chairman, COMSTAC, to Patricia Grace Smith, February 10, 2003.)

COMSTAC also recommended amending the Commercial Space Launch Act (CSLA) by eliminating the sunset provision applicable to indemnification authority or, alternatively, by extending the indemnification authority for 10 years.

Additional developments since the issuance of the FAA Liability Study include the following measures to address potential catastrophic risks:

- Congress enacted legislation providing Government support in the event of catastrophic terrorism-related claims.

- The FAA continues to provide war risk coverage for commercial airlines. Section 201 of the Air Transportation Safety and System Stabilization Act, limiting air carrier liability to $100 million for third-party claims arising out of an act of terrorism, as determined by the Secretary of Transportation, has been extended and continues in effect.
- In 2002, Congress enacted the Support Anti-terrorism by Fostering Effective Technologies Act of 2002, or the SAFETY Act, which provides a risk management system for designated anti-terrorism technologies that meet certain criteria. The criteria include the existence of extraordinarily large or extraordinarily unquantifiable potential third party liability risk exposure to the provider of the technology. (SAFETY Act, Section 862). To be eligible for the benefits of the SAFETY Act risk management system, the Seller must, among other things, obtain liability insurance that does not exceed the maximum available on the world market at prices and terms that will not unreasonably distort the sales price for the technology and enter into reciprocal waivers of claims among Sellers, contractors and customers, among others. The benefits of the SAFETY Act include a provision limiting the Seller's liability arising out of, relating to, or resulting from an act of terrorism to the amount of liability insurance required under the SAFETY Act. (SAFETY Act, Section 864.)

Question 6. The global telecommunications industry and its related space launch component has been in a "slump" the last few years. How has this "slump" affected the activities of the FAA and its future plans?

Answer. The commercial launch market does not necessarily impact FAA activity. In fact, new private sector efforts as well as Federal and State funded space transportation programs have not been deterred by changes in the telecommunications marketplace.

FAA activities include launch and reentry licenses, launch site and reentry site operator licenses, regulatory development, and policy development. Currently there are 13 active launch licenses. A number of organizations are seeking new launch and reentry licenses and FAA works with these companies in a pre-application process that includes reviews of safety, payloads, policy and environmental impacts. Furthermore, expendable launch vehicle (ELV) and reusable launch vehicle (RLV) companies continue development efforts with one brand new ELV expected to launch in 2003.

In addition to four active launch site licenses held by state entities in Alaska, California, Florida, and Virginia, ten additional states are proposing launch sites for future commercial space transportation activities (Alabama, Montana, Nevada, New Mexico, Oklahoma, South Dakota, Texas, Utah, Washington, and Wisconsin).

As industry advances new space transportation capabilities, the regulatory framework must expand and adapt to create the best possible framework to grow the industry while maintaining safety standards. FAA has issued advisory circulars and other guidance documents to aid the industry in understanding regulations and requirements for new expendable and reusable launch vehicles. When developing regulations, FAA also prepares economic impact analyses as part of the Paperwork Reduction Act. FAA has been contacted by congressional offices urging increasing levels of support for newly emerging companies in space transportation.

To stay in touch with the needs and concerns of the industry, FAA works with its Commercial Space Transportation Advisory Committee (COMSTAC), a group comprised of representatives of industry and related interests. In addition, FAA participates in future space launch bases and range technology studies and works on the development of requirements and regulations for RLV Operations and Maintenance (O&M). Several annual publications each year assist industry in assessments of the market and help promote their activities. FAA also works closely with the White House on the review of the National Space Transportation Policy and participates in interagency discussions on policy and trade issues.

Question 7. Before the Space Shuttle *Columbia* accident, there was a lot of discussion about commercial space tourism being a field with economic potential. Based upon interface with the commercial industry, what fields do you believe have the greatest potential for economic growth?

Answer. There are a number of areas that have been enabled by commercial space launch activities and space tourism is often cited as a future growth area. The continued growth of satellite applications in the areas of remote sensing, communications (Direct to Home or Direct Access Radio) and navigation will also grow as new applications are developed.

Public Space Travel continues to be the most promising market for new growth in the commercial space transportation industry. Interest in space tourism has not

waned since Shuttle *Columbia.* Proponents believe that the market is real, even at very high prices, and only awaits the proper launch vehicle.

The X PRIZE competition is a $10 million prize competition that was created to jump start the space tourism industry. If one of the competitors is successful and continues to operate as a commercial launch activity carrying passengers to the edge of space, there are business plans which will marry the launch with commercial astronaut training and marketing companies, poised to advertise the availability of this type of adventure travel.

Other new applications that could open up new markets include expansion of broadband capabilities such as delivery of the Internet, digital motion pictures or other information requiring high bandwidth. Advertising and commercial product sponsorships could show some limited opportunities. There could be new markets for in-space transportation services such as fuel, power, or other supplies for the International Space Station or extending a satellite's lifespan.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. ERNEST F. HOLLINGS TO MARION C. BLAKEY

Question 1. How has the FAA responded to the Canadian Transportation Safety Board's findings that indicates that the FAA'S oversight of its third party certification program (Designated Alteration Station) failed to identify and correct anomalies that existed in the design and integration of a "non-essential" system on the MD–11 involved in the September 2, 1998 tragedy of Swissair Flight 111 which departed from New York, on route to Geneva, Switzerland, with 215 passengers and 14 crew members on board?

Answer. The FAA has taken steps to ensure that its certification personnel are aware of the potential hazards introduced by non-essential systems, especially those that might affect power load-shedding procedures during an emergency. In September 2000, the FAA issued policy requiring that flight crews have a means to manually remove power from such in-flight entertainment systems. Additionally, the FAA is considering new regulations that require circuit breakers not be used as the primary means to remove or reset system power.

The FAA has incorporated guidance in its policy addressing Designated Alteration Station (DAS) programs that requires:

—a DAS to consider aircraft manufacturer design philosophies during the supplemental type certification (STC) process;

—a DAS to determine that they have appropriate knowledge and experience prior to performing the STC;

—FAA to assess the DAS's knowledge and experience relative to these issues prior to delegating the program; and

—in-house DAS training to highlight the importance of these considerations in the STC process.

Question 2. How does the FAA verify that "non-essential" system electrical requirements are not on the same electrical cabin buses as "essential" flight control systems?

Answer. The current transport category airworthiness requirements do not prohibit "non-essential" electrical system loads to be connected to an "essential loads" electrical bus. However, the regulations require that "non-essential" loads not interfere with operation of essential systems during normal operations and failure conditions.

The FAA has published policy regarding the connection of "non-essential" cabin equipment to the same electrical buses as "essential" systems. These policies are available to the public. While not legally binding, the policies are used by Aircraft Certification Offices and designees as part of the normal certification process, when reviewing proposed electrical system designs, to ensure compliance with applicable airworthiness regulations.

In addition, FAA has drafted nearly two dozen new and revised aircraft certification regulations that specifically address aircraft wiring issues. Aviation industry wiring experts and foreign aircraft certification authorities have participated in this process. Some of the proposed requirements are power switches for non-essential equipment, improved wire separation criteria, and a wire system safety analysis.

Question 3. Currently, the FAA requires cockpit voice recorders to have a 30-minute recording duration for transport category aircraft. However, the international joint aviation requirements require that airline transport category aircraft

be equipped with two-hour CVR recording capability. Are there any plans to require that U.S. planes are equipped with two-hour CVR capability?

Answer. The FAA is finalizing a notice of proposed rulemaking to address National Transportation Safety Board recommendation A–99–17 regarding the mandatory equipage of 2-hour cockpit voice recorders. Currently, the proposed language is in executive-level coordination.

Question 4. What aircraft certification standards currently exist regarding material flammability that are pertinent to the Swissair Flight 111 case? Are there any changes planned as a result of this crash?

Answer. The pertinent regulation that covers the certification standards for passenger cabin and cargo compartment flammability is 14 CFR 25.853, Compartment Interiors. This regulation describes the specific areas and items within the compartments occupied by crew or passengers that must meet FAA flammability tests articulated in Appendix F to Part 25.

As a direct result of the crash of Swissair Flight 111, the metalized polyethyleneterephthalate (MPET or metalized Mylar) cover material used on the thermal acoustic insulation blankets was ordered removed from the fleet. Only the MD–8O/90, MD–11 and ATR–42/72 models were found to use the MPET insulation. The Airworthiness Directives (AD) ordering the removal of this material from service went into effect for the MID–80/90 and DC–10/MD–11 models on June 30, 2000. The AD that applies to the Aerospatiale Model ATR–42–500 and Model ATR–72 series airplanes became effective on May 27, 2003. The compliance time for each of these ADs is five years.

In addition to the AD activities, the FAA initiated a rulemaking project to provide for overall improved flammability standards for thermal acoustic insulation. A notice of proposed rulemaking was issued and a final rule is now undergoing review at FAA. The proposed rule would require that thermal acoustic insulation blankets pass a new "radiant panel" test developed by the FAA Technical Center. The radiant panel test measures a material's tendency to propagate a fire, addressing in-flight fire concerns. In addition, insulation installed in the lower half of the airplane fuselage would have to pass a new test method utilizing a high flow kerosene burner. This test simulates a post crash fire scenario and measures the ability of the insulation to resist penetration of a fire into the cabin, which extends the time for survival and evacuation in an accident.

The FAA (through the Technical Center) is also partnering with industry in a number of research projects aimed at further addressing the inflight fire threat from fires in inaccessible areas. These efforts involve research regarding wire insulation, contamination of hidden materials, the feasibility of utilizing active fire protection systems in inaccessible areas, and techniques for finding and accessing fires in inaccessible areas in current designs. For this last example, FAA equipped both wide and narrow body aircraft and has initiated testing.

The means of addressing fire in inaccessible areas is considered a combination of materials fire safety, fire detection, and fire suppression. The design solutions may vary; an approved installation for one airplane model may not be appropriate for another model. As we further understand the various conditions and issues, the FAA will modify our safety standards accordingly.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. DANIEL K. INOUYE TO MARION C. BLAKEY

Question 1. In the President's recent budget submission, changes were proposed to the Essential Air Service Program. This is an important program for several communities in my State. Could you please explain the proposed changes and the possible effect on the communities that currently receive service?

Answer. We are proposing a fundamental change in the way that the Government delivers transportation services to rural America. For too long, many communities—there are a few exceptions—have taken the air service for granted as an entitlement and done little or nothing to help make the service successful. Requiring a modest contribution should energize civic officials and business leaders at the local and State levels to encourage use of the service. Communities will also have many more service options available to them. Rather than the two or three round trips a day to one hub that EAS has traditionally provided, we would work with the communities and state departments of transportation to procure charter service, single-engine, single-pilot service, regionalized service, or ground transportation in cases where that seemed to be more responsive to their needs. Moreover, as stakeholders in their service, the communities will become key architects in designing their specific transportation package. For the most isolated communities, we would continue

to subsidize air service to the extent of 90 percent of the total subsidy required. The remaining communities would have to contribute 25 percent of the total subsidy required.

In determining a community's standing in the program, we would incorporate the distance from small hub airports in addition to the distance to medium and large hubs. Some EAS communities are very close to small hubs but maintain their standing in the program because the nearby airport does not meet the medium-hub threshold.

Question 2. I am concerned that some of the communities that would be required to pay 10 to 25 percent of the federal subsidy level would be unable to fund the match requirement and may lose service. In Hawaii, we have a very small community of Hansen's disease patients living in a remote area with no surface transportation links. Kalaupapa is currently served by EAS and under your current proposal would be required to provide $51,000 to continue service. Should Kalaupapa not be able to fund the matching requirement, it could have devastating effects on the members of the community requiring medical attention who would not have access to our State's medical providers without this air service. Would communities that cannot raise the necessary funds become isolated from our national air transportation system, regardless of the needs of that community?

Answer. Communities that are not able to raise the necessary funds would not automatically be cut off from the national air transportation. We would take into account geographic isolation, with particular deference to communities that have no access to the national transportation system other than by air, such as islands or, in this case, Kalaupapa. We would certainly be willing to work with you on any needs unique to Hawaii.

In the broader context of your question, we would also like to emphasize that the funds do not need to come from the community exclusively, or even at all, but can come from a variety of sources, both public and private. In fact, we encourage statewide participation by a variety of state agencies, including, of course, state departments of transportation. Communities could also look to their chambers of commerce for additional support.

Question 3. The Airport Improvement Program was created to maintain and develop airport facilities. Prior to September 11, security projects accounted for an average of 2 percent of the total AIP grant program. Although aviation security was transferred to the new Transportation Security Administration, in the last Fiscal Year more than 16 percent of the AIP grants were used for security projects. Despite FAA's projected growth in the national air transportation system, the Administration has proposed level funding for the AIP program. Do you plan to submit a proposal to protect the AIP program from further use for security projects to ensure that the needed capacity building projects are completed?

Answer. AIP has always funded security projects at airports, although before FY 2002, security projects on average made up a low percentage of AIP expenditures. In FY 2002, in response to the unprecedented new security requirements imposed on airports after September 11, AIP spending on security rose to unprecedented levels representing almost 17 percent of AIP. The FAA anticipates comparable levels of AIP funding for security in FY 2003, with spending being driven by the cost of terminal modification and reconfiguration to accommodate in-line installation of explosive detection systems for checked-baggage. The Aviation and Transportation Security Act made this work AIP eligible and the transfer of aviation security responsibilities to TSA did not otherwise narrow AIP eligibility for security funding.

The FAA does not at this time anticipate continuation of these unprecedented levels of AIP funding for security projects beyond FY 2003, however, our reauthorization proposal does not include any provisions to limit the availability of AIP funds for security.

Question 4. As you know, more than $560 million in AIP was used for security-related expenses in Fiscal Year 2002, up from only $57 million the previous year. Last week, TSA Under Secretary James Loy testified that the TSA would like to have "one more bite at the apple" in Fiscal Year 2003 to use AIP for high priority security projects.

- What effect has the use of the $560 million in AIP in FY02 had on other safety- and capacity-related airport improvement projects?
- What is your view on the use of AIP funds for even more security costs in FY03?
- What affect would the use of AIP at FY02 levels have on other projects in FY03?

- Long-term, what is your view on the use of AIP funds for security-related projects?

Answer. Despite record levels of AIP expenditures in FY 2002 to help airports meet new security requirements imposed in the wake of the terrorist attacks of September 11, the FAA was able to fund all safety projects, including runway safety areas and runway safety action team recommendations; letter of intent commitments; noise mitigation and reduction projects, ongoing phased projects; and congressional earmarks. The LOIs and phased projects represent commitment of significant AIP resources to capacity projects. The FAA also provided substantial AIP funding for rehabilitation projects, though there was a reduction in reconstruction and standards projects.

Working collaboratively with TSA and the Department of Transportation, the FAA has committed to make a comparable level of AIP funding available for security projects in FY 2003—with a significant share going toward terminal modification and reconfiguration costs associated with in-line EDS deployment. These costs were made eligible for AIP funding for the first time in the Aviation and Transportation Security Act. We are confident that the system can sustain this level of AIP support for security for one more year without compromising other national objectives in building and sustaining this nation's system of airports.

The FAA does not anticipate that the unprecedented level of security needs will be sustained on a continuous basis, once deployment of explosive detection systems for check baggage is fully implemented. Therefore, we do not anticipate that this tension will be sustained on a long-term basis. In the mean time, the FAA will continue to work closely with the Secretary of Transportation, the TSA and this committee to assure that the appropriate balance is struck between funding for security and other national priorities.

Question 5. The Administration in its FY 2004 budget proposes to fund AIP at $3.4 billion for the foreseeable future. Airports have stated that capital needs top $16 billion annually for the foreseeable future. Can we meet ongoing safety, security, capacity and noise-abatement needs into the future with AIP funded at only $3.4 billion?

Answer. The Administration's proposal would continue the dramatic increase in AIP initiated by the passage of AIR–21. A $3.4 billion AIP represents a 70 percent increase in AIP from pre-AIR–21 levels. We recommend shifting a greater percentage of those funds to those airports with the greatest financial need and highest dependence on AIP funding for achieving capital requirements. We have also proposed that a larger percentage of AIP be made available on a discretionary basis to enable the FAA to direct these funds to safety, security and capacity projects of national significance. We have also proposed an increase in the noise set aside. We believe that by retaining the robust AIR–21 level of AIP, in combination with these formula changes, we can best meet airport capital needs before us.

Question 6. In its budget request, the Administration proposes a major "spend down" of the Airport and Airways Trust Fund over the next several years. How would the "spend down" of the Trust Fund affect capital programs like AIP?

Answer. We remain committed to using the AATF only to fund the Department's aviation programs, but in a change from AIR–21, the Administration is proposing to increase our use of balances that have built up in the Trust Fund.

The Administration's spend down proposal does not impact capital programs. These programs are maintained at comparable levels to those provided under AIR–21.

Under our budget and reauthorization proposals, we are projecting an uncommitted balance of just over $1.1 billion at the end of FY 2007. This balance would be down from a $4.8 billion uncommitted balance at the end of FY 2002.

FY 2004 Funding ($ in millions)

FAA Account	Under AIR–21 formula	Under FY04 Pres. Bud.
Facilities & Equipment	2,916	2,916
Grants-in-Aid for Airports	3,400	3,400
Research, Engineering & Development	100	100
Operations (Trust Fund)	4,511	6,000
Operations (General Fund)	3,080	1,591
Total	14,007	14,007

Question 7. The FAA has made a concerted effort in recent years to streamline the review and approval process for key capacity-related projects. What is the status of those efforts?

Answer. FAA issued a Report to Congress in May 2001 reporting on Federal environmental requirements related to the planning and approval of airport improvement projects together with recommendations for streamlining the environmental review process associated with those types of projects. Six initiatives for streamlining were identified and implemented, as outlined below.

1. FAA established EIS Teams for preparing EISs for major runway projects at large hub primary airports. Since the Report to Congress in 2001, FAA Teams have been working on the EISs for eight major runway projects (Atlanta, Boston, Chicago-O'Hare, Chicago South Suburban Airport (SSA), Cincinnati, Los Angeles, Philadelphia, and San Francisco). EISs have been completed for four of the projects (Atlanta, Boston, SSA–Tier I, and Cincinnati) with the other four in various stages of EIS preparation.

2. FAA has reallocated staff to provide for five more environmental specialist positions in the Office of Airports. With the passage of the FY 2003 Department of Transportation and related Agencies Appropriations Act, funding has been provided for hiring 18 more Airports environmental specialists and 13 environmental attorneys. These added personnel will specifically conduct and expedite the environmental analysis and review of airport and aviation development so as maximize the capacity benefits to the National Aviation System. FAA is underway with plans to hire qualified personnel to fill these positions at various locations around the country.

3. FAA continues to maximize the use of consultant resources to perform more EIS tasks that can be delegated by the FAA.

4. FAA is working with the Council on Environmental Quality (CEQ) to expand FAA list of categorical exclusions will be published in revisions to FAA environmental orders. Initiatives are being explored to provide for shorten and streamlined EISs, as well as Environmental Assessments, that will also involve CEQ and EPA.

5. FAA continues to engage other Federal agencies at the beginning and during preparation of EISs about their environmental reviews and permit requirements to avoid unnecessary delays. Also, the FAA, and the National Association of State Aviation Officials, has undertaken a joint review of Federal and State environmental processes and coordination. As a result we have determined opportunities for improving ways in which Federal and individual State requirements can be more effectively and efficiently combined and coordinated. FAA reviews and updates the status of efforts on the latter initiative twice a year.

6. FAA has developed, published (on FAA's web site) and updates (at least twice a year) a compendium of best practices for EIS preparation and management. The compendium of best practices addresses practices that are the responsibility of the airport proprietor, the EIS consultant, as well as those of the FAA.

Question 7a. How have they affected the time it takes to review key projects?

Answer. The 2001 Report to Congress noted the average time for completion of an EIS (from start of the EIS until EIS approval) was 3 years. The average time to issue an agency Record of Decision (ROD) was 3 months. Of the four runway EIS completed since issuance of the 2001 Report to Congress, and implementation of FAA streamlining initiatives, the Atlanta EIS took 2 years and 5 months to complete. The Tier I EIS for the SSA took 1 year and 10 months and the Cincinnati EIS took 3 years and 2 months to complete. For the Atlanta EIS, that is 7 months less than the 3-year average; for the SSA EIS, 12 months less than the average; and for the Cincinnati EIS, just 2 months more than the average. RODs for Atlanta, SSA, and Cincinnati were prepared and issued in 1½, 2, and 3 months respectively. The Boston project was unique and controversial and, therefore, the EIS process was long (almost 7 years). Adding to the process was an 18-month delay between 1996 and 1998 because of a change in Massport leadership and priorities, and extraordinary steps taken to engage community groups and the public in the process. The Boston EIS was not an average new runway EIS project in any sense of the word. In the ongoing EIS projects, FAA streamlining initiatives are being utilized to ensure that environmental process times are minimized to the maximum extent possible, and hiring more environmental staff will greatly aid the effort.

Question 7b. Do you anticipate further administrative improvements in this area?

Answer. FAA hopes that further agency, as well as congressional actions, will lead to administrative improvements in streamlining the environmental process for

major runway projects around the country. Besides the initiatives proposed as part of the Administration's proposal for Aviation Reauthorization Legislation, FAA is implementing the environmental streamlining provisions of Presidential Executive Order (E.O.) 13274, Environmental Stewardship and Transportation Infrastructure Project Review. Two airport EIS projects (Philadelphia and Los Angeles) have recently been designated as priority projects for oversight under the E.O.

Question 7c. Do you support efforts in Congress to make further improvements to the process?

Answer. Yes. The Administration's bill proposes a number of streamlining provisions including—

- designation of aviation congestion projects and aviation safety projects for high priority coordinated, concurrent reviews;
- establishment of interagency Environmental Impact Statement teams;
- deference to the Secretary on project purpose and need;
- deference to the FAA on reasonable alternatives, aviation factors, and aviation noise and emissions analyses;
- funding of airport expansion noise mitigation from the noise set-aside without an additional Part 150 process requirement;
- elimination of the duplicative Governor's air and water quality certification; and
- judicial review.

Question 8. We are told that the Administration will soon unveil its FAA reauthorization proposal. Can you give us a preview of some of the key elements? Will the Administration support the continuation of guaranteed funding for FAA capital programs?

Answer. On March 25, 2003, the Administration transmitted its reauthorization proposal, Flight–100, to Congress.

Flight–100 builds on the foundation of AIR–21, by continuing our investment in safety, air traffic control modernization and operations, airport capacity improvements, and environmental stewardship. The key provisions of Flight–100 include an emphasis on smaller airports and projects of national significance. Therefore, the Administration proposes a restructuring of the formulas and set-asides to allow more funds to be targeted to those airports and projects with the greatest dependence on Federal assistance. These airports are essential to the vitality of the NAS and have limited funding options other than Federal assistance. We also recommend simplifying the grant formulas by eliminating unnecessary or outdated set-asides.

I would also like to highlight our environmental concerns, a cornerstone of Flight–100. While FAA's primary mission is to ensure a safe and efficient NAS, we also take our environmental responsibilities quite seriously. The environmental initiatives in Flight–100 will contribute to continued success of our investment in safety and capacity projects by providing for prompt and more effective environmental review of significant projects while continuing to exercise strong environmental stewardship.

The Administration also proposes new initiatives to mitigate the impacts of aviation emissions and noise. For example, we propose to establish voluntary programs to reduce aviation emissions by converting airport infrastructure, airport vehicles, and airport-owned ground-support equipment to new low emission technologies. Our noise initiatives include using some of the AIP noise set-aside for research aimed at reducing community exposure to aircraft noise or emissions. We also hope to increase prospective homebuyers' awareness of areas near airports that are exposed to aircraft noise by requiring Federal lenders to inform prospective homebuyers of properties within airport noise contours.

Finally, Flight–100 sets forth certain structural reforms that could assist agency efforts to transform air traffic control and its supporting functions into an effective, performance-based Air Traffic Organization. The structural reform provisions in our reauthorization proposal would reinforce this goal by clarifying and enhancing management reforms that Congress has already put in place for the FAA.

Although the proposal does not extend the AIR–21 provision of guaranteed funding by the Airport and Airway Trust Fund, the President's budget does propose to spend not only interest and receipts accrued by the trust fund but also to increase our use of balances that have built up in the fund.

Question 9. While service to smaller communities remains a high priority, the Administration has proposed cuts to the Essential Air Service Program and has not requested funding for the Small Community Air Service Development Program. What is the Administration doing to promote air service to smaller communities?

Answer. The key issue here is responding effectively and efficiently to small communities. It is important that changes be made to the Essential Air Service program, regardless of the proposed or ultimate funding levels, to ensure that we provide the communities the maximum flexibility possible to address their air service issues. A "one size fits all" approach has not proven to be very successful. Providing communities more direct involvement and increased flexibility in meeting their individual needs will better ensure that the Federal assistance available will provide the communities with service that will be used.

It was not possible to provide Fiscal Year 2004 funding for the Small Community Air Service Development Pilot Program as the program is currently authorized only through Fiscal Year 2003. However, the Administration's Flight–100 proposal includes a provision for small hubs and smaller airports to seek Federal assistance to improve service at their communities. It differs from the current Pilot Program in that it requires a contribution of 25 percent. It also eliminates the limitations on the number of communities that can participate. The broad flexibility and the "grant" structure have been retained.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. RON WYDEN TO MARION C. BLAKEY

Question 1. Please discuss the status of FAA programs to install ASR–11 or other radar systems in areas that currently have no radar coverage. How many radar systems does FAA expect to be able to deploy over the next several years? What criteria are used to set priorities for new radar installation?

Answer. The FAA has qualified 12-airport surveillance radar at locations that currently have no radar coverage. Installation activities have begun at four locations and installations are scheduled to begin at four more within the next two fiscal years. The FAA expects to deploy/commission 112 ASR–11 systems through 2010.

The FAA considers actual and forecasted number of itinerant operations, aircraft types, Instrument-Flight Rule (IFR) operations, expected delay savings, expected coverage, coverage provided by other radar systems, existing navigation systems, service to satellite airports, control facilities, and feeds to large terminal radar approach control facilities in its criteria to set priorities for new radar installations. The FAA has met with the airport operators/authorities for some airports that may not qualify for new radar, to consider alternatives to improve service.

Question 2. As you know, Congress has provided funding in each of the last three years for the installation of Transponder Landing Systems (TLS) at a number of small airports, including La Grande/Union County Airport in Oregon. These airports stand to benefit significantly both economically and from a safety perspective once these navigation aids are put in place. How is the TLS program proceeding? What kind of progress is being made toward actually commissioning these systems at the specific airports the congressional appropriators have named?

Answer. In December 2001, FAA type accepted Advanced Navigation & Positioning Corporation's (ANPC) TLS, as a special (not for public use) Category I precision approach with siting and operational limitations. The limitations were necessary in order to address risks associated with the system's unique technical characteristics.

The completion of the TLS evaluation has taken longer than anticipated because of a safety issue with the system that was identified in May 2002. During the execution of a TLS approach by an FAA flight inspection pilot, the TLS provided guidance based upon the position of a nearby helicopter. The misleading guidance information provided by the TLS was a safety hazard, because it could potentially result in controlled flight into terrain. Therefore, on May 30, 2002, the FAA suspended the Type Acceptance for TLS.

ANPC and FAA met in June 2002 to conduct problem analysis and to define the strategy for fixing and testing the TLS. In the process of the problem analysis, other potential safety issues were identified. The issues and their proposed resolutions have been reviewed and a plan to test the resolutions has been developed. Testing recommenced in late April 2003. Once testing is complete, a decision on lifting the suspension on the TLS Type Acceptance will be made.

Given the possibility that the results of the reevaluation may require substantial technical changes, additional installations of TLS will be delayed until after this process is complete.

Question 2a. Is there anything FAA can do to streamline the site evaluation process, such as conducting the various layers of analysis in parallel rather than sequentially?

Answer. The site evaluation process includes an initial site survey and a geographic survey. Initial site surveys are conducted to ensure that the FAA understands the needs of the site, and that the airport understands the requirements of a precision approach. Following the initial site survey, FAA can advise an airport whether it would be a suitable location for ILS (public approach) or TLS (special use approach, not for public use). The geographic survey is then performed so that an approach procedure can be developed for the desired landing system.

FAA has found that concurrent TLS initial site surveys and geographic surveys would not be prudent because, during the conduct of the initial site surveys, several airports chose to decline any further consideration of a potential TLS at their facility.

To accelerate the site evaluation process the FAA's contract with ANPC includes the geographic survey, which is normally performed by National Geodetic Survey (NGS). Because ANPC can prioritize the survey for the installation of its own product, TLS, this approach has significantly reduced the time required in the site evaluation process.

Question 2b. Is the FAA shouldering costs related to Type Certification to the same extent as it does for other navigation aids?

Answer. ANPC submitted the TLS for a regulatory approval as an instrument landing system but it is not an FAA required system. The FAA has never paid development, testing, installation or other costs to any other manufacturer for a navigational aid submitted for regulatory approval. The development of the TLS is the responsibility of ANPC, as it would be for the developer of any system not required by FAA. Issues related to type acceptance determination and associated costs are also the responsibility of ANPC. FAA was, however, directed by Congress to procure the systems, so we established a contract with ANPC to acquire TLS for the test program.

Question 3. The FAA has determined that, at least initially, TLS use will be limited to commercial airline and charter air service operators. General aviation operators will be excluded, even though some general aviation pilots may well have training and equipment that enables them to operate on a par with commercial airline and charter pilots, and even though general aviation represents the majority of potential users at many of the small airports where TLS is to be installed. Nearly a year ago, then-Administrator Garvey explained in a letter to me that as the agency gains experience with TLS operation, "it may be possible to allow for a larger pilot population to use TLS landing capabilities." What progress has the FAA made on this front? When will it consider expanding TLS use to some classes of general aviation operators?

Answer. The FAA type accepted the TLS as a Special Use (not for public use) system. Restrictions to the type acceptance were necessary, because technical limitations that are inherent to the TLS design result in operational risks, such as the potential for improper guidance, the potential for signal loss that would result in missed approaches and the potential for error due to the introduction of a human-in-the-loop.

FAA's approach to mitigating the operational risks included limiting the use of TLS to Part 121 and Part 135 operators, because they can be held to TLS-specific training and operations standards that we cannot legally impose on Part 91 operators. Additional restrictions to mitigate risks include requiring each aircraft using TLS to have a pilot and a co-pilot, requiring the use of two radios, requiring a cross-check of TLS guidance with an alternate source of guidance, and establishing criteria for siting a TLS.

The FAA intends to conduct a two-year operational evaluation after the first commissioning to validate the siting and operational limitations and to determine what adjustments would be appropriate. Prior to the suspension of the TLS Type Acceptance, general aviation applications were to be assessed on a test-case basis during an evaluation period. However, as a result of the system safety assessment and resolutions, additional procedural mitigations have been introduced that make it unfeasible to consider general aviation operators at this time.

Question 4. There appears to be some confusion amongst aviation interests in my State about the authority and role of Designated Engineering Representatives (DERs) in approving supporting certification data. The regulations seem to say that DERs have approval authority, but I am told that FAA personnel at Aircraft Certification Offices sometimes re-analyze the data from scratch nonetheless, resulting in significant delays. What is FAA policy on this matter?

Answer. DERs assist the FAA by examining data and finding compliance on behalf of the FAA. The FAA determines when and how DERs will be used and how much DER activity will be reviewed as part of DER oversight and specific project

management. The FAA retains the authority to make compliance findings on the safety-critical, complex, controversial and new technological applications and does not delegate those aspects of design approvals. The bulk of the work completed by designees is routine and the FAA has a high degree of confidence in their technical ability to make the correct finding.

The amount of delegation to DERs and the amount of review of DER-approved data depends on several factors. A project that deals with new technology or a high level of complexity may dictate more FAA involvement in the form of direct FAA finding or review of findings delegated to a DER. A DER who is less experienced or unfamiliar to the FAA project office would also warrant less delegation and more review. There is no minimum or maximum quantity of data review specified in FAA policy, but DER performance evaluation depends on some review of DER data submittals.

DER approved data is sampled and reviewed by the FAA in order to identify problem areas and ensure the DER work is satisfactory. Data is not re-analyzed from scratch, but the reviewed data must clearly substantiate the finding that the DER made on the FAA's behalf. If the reviewed data is poorly documented or substantiated, then additional data will likely be required. Re-submittal of satisfactory data may result in project delays but such delays are rare and are usually avoided by up-front technical exchanges between the FAA and the applicant and DER.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO MARION C. BLAKEY

Question 1. The Aerospace Commission states that the transformation of the U.S. air transportation system is a national priority. Specifically, the Commission has called for "rapid deployment of a new, highly automated Air Traffic Management system" that will better accommodate the increasing number and variety of aircraft in the system.

I am very interested in seeing this recommendation implemented to ensure the economic security of our country. Can you tell me what resources and technologies your agency is investing in this project?

Answer. The Federal Aviation Administration (FAA) is firmly committed to deploying a new, highly automated air traffic management system as called for in the Commission report. The FAA Strategic Plan—the blueprint for the FAA's activities for the next five years and beyond—emphasizes that the continued development of a modern and efficient air traffic system is absolutely essential. Two of the principal components of the FAA's strategic plan are the continued safe operations of a growing and diverse air traffic system and the continued growth in system capacity. These objectives, which are critical to the future of the National Airspace System, can only be obtained by continuing to develop a modern air traffic system.

Much of the emphasis of our work in more aggressively reaching these goals is in leveraging technologies currently in development and moving faster on those that are ready for deployment. By this approach we feel we can more rapidly achieve the kind of air traffic management system envisioned by the commission.

Another facet of our work is more long term and involves coordinating the aeronautical and automation research efforts of several different agencies in government. As stated in the report, it is vitally important that the FAA, the National Aeronautics and Space Administration, the Department of Defense, the Department of Homeland Security, the Office of Science and Technology Policy, and the Department of Commerce develop more effective mechanisms for collaborative research. This is critical for developing and deploying the cutting edge technologies that will support the future development of our air traffic system. At the moment, we are working closely with each agency to establish agreements and structures to see that this happens.

Question 2. The Aerospace Commission emphasized the importance of Federal investment in research and development to maintaining our nation's strength in the commercial aviation industry. I know that the FAA plays an important role in research on a number of issues pertaining to aircraft infrastructure, including cooperative research efforts with the aviation industry. As the aircraft industry has begun to work increasingly with advanced materials to design faster and more efficient planes, I know that there is increasing excitement in the industry in applying developments in advanced materials.

I am very interested in the burgeoning field. Can I assume that you would be interested in working with industry further to develop techniques to maintain and ensure durability of these materials in the future, along the lines of the Center of Ex-

cellence programs currently in place for such technologies as airport technology and computational modeling?

Answer. We are always interested in working with industry to develop new technology. Five years ago the FAA established a Center of Excellence in Airworthiness Assurance (AACE). The Center of Excellence currently has 28 university members.

One of the Center's principal research areas is in the durability and damage tolerance of advanced materials. One example of how the Center's university research organizations are working with industry is in the maintenance and repair of advanced material sandwich structures. These are used in nacelles and control surfaces on transport aircraft, as well as fuselages on commuter and general aviation aircraft. Boeing is a full partner in this research initiative, supplying their manpower and fabrication expertise.

Question 3. In the Administration's proposed reauthorization language you emphasize projects of national significance. In the case of many of those projects, such as the third runway at SeaTac Airport, the cost of the project has increased substantially due to federal and state requirements for environmental mitigation. Will there be recognition of these increased costs in your funding allocations for these projects of national significance?

Answer. We recommended, in our proposal, to establish a fund for nationally significant projects with a significant funding level. We made this recommendation because the existing formulas do not produce a high enough level of discretionary funding to provide adequate Federal support for large projects such as the new runway at SeaTac airport. We would anticipate using the new fund to provide more assistance where the cost of the project has increased significantly or to provide a higher level of funding for projects from the outset.

Question 4. The Administration's proposal converts the noise set-aside portion of the AIP funds to nine percent of the total AIP program. Will that be enough to continue to fund the noise mitigation programs at airports such as SeaTac, where the airport and the FAA have committed to a significant program for residential and school noise mitigation?

Answer. The Administration proposed the conversion of the noise set-aside to nine percent of the total AIP program in order to ensure that the funding is both adequate as well as stable. Under the existing formula, the noise set-aside is subject to the overall AIP level and also rising entitlement funding. Under existing law, the noise set-aside can show a downward trend as passenger traffic increases, which increases the entitlement based upon boarding passengers. Under the Administration proposal, the noise set-aside would only be affected by the overall AIP funding level.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. FRANK LAUTENBERG TO MARION C. BLAKEY

Question 1. Do you think it is a good idea to move toward a private takeover of air traffic control? Do you think the public would support this move?

Answer. I strongly support the Secretary's decision that the air traffic control functions performed at FAA's en route and larger terminal facilities (i.e., facilities larger than those currently in the contract tower program) are a core capability of the Federal Aviation Administration (FAA). However, prohibiting the conversion of any government-provided air traffic control functions to the private sector is unnecessary and would hinder the efficient management of the FAA's air traffic control and related responsibilities by preventing the FAA from making strategic decisions on how best to perform its mission. Certain FAA responsibilities are best fulfilled by contract, or using a combination of government and private services—as is the case today. Congress gave the FAA unique procurement authority for exactly this reason. For example, the FAA's air traffic control systems are increasingly composed of commercial components and software that build upon privately developed computer programs. In many instances, the developers of these components and software are unwilling to sell to the FAA the data rights necessary for FAA to maintain these items, or will only sell the rights at an exorbitant price.

Question 2. I understand that the Federal Aviation Administration (FAA), by direction of the Office of Management and Budget (OMB) is conducting a study for contracting out flight service station controllers. To date, how much has been spend on this study? How much is this study expected to cost? Which FAA budget is funding this study: Operations or Facilities and Equipment (F&E)?

Answer. The FAA is in the planning phase of the competitive sourcing review of Automated Flight Service Stations (AFSS) located in the continental United States, Puerto Rico, and Hawaii. To date, $1.6 million from our Facilities and Equipment

(F&E) account and $1.2 million from our Operations account has been spent on the study. Activities related to NAS modernization are being paid out of F&E while all other activities are being paid out of Operations.

We plan to fund the study at approximately $4,000,000 in FY 2003 and it is anticipated that the cost of running the study in FY 2004 will be approximately $6 million.

Question 3. With regard to the FAA's NAS Implementation Support Contract (NISC), the Department of Transportation Office of Inspector General (IG), in its report #AV–2003–002, found that 22 percent of contract personnel reviewed did not meet contract requirements for education and experience. I understand that the IG has recommended that the FAA perform a complete review of all contract employees to ensure that they are qualified. Has the FAA completed this review? What type of reviews does the FAA now perform on its contract employees agency-wide to ensure that all contract employees are qualified? Generally, what is the FAA doing to ensure adequate contractor oversight?

Answer. The NISC–II program office completed a review of all contract personnel who were charging labor hours on NISC–II task orders. This review did not reveal any additional contractor employees who were not qualified for the labor category to which they were assigned or did not otherwise have a sufficiently documented waiver.

Currently, FAA requires contractors to provide evidence that their employees meet the qualifications for the labor categories that FAA has established under the contract. Most requests for proposals (RFPs) include provisions that contain the qualifications required for contract positions (e.g., education, certifications, years of experience). In some instances, the RFPs and resulting contracts also contain provisions that require persons in key positions to provide FAA with their resume as well as a commitment that they will work on the particular project for a sufficient amount of time to ensure its continuity and success.

The level of our surveillance of contractors varies in accordance with the nature of the work, the type of contract and the period of performance. In general, FAA conducts periodic audits to make sure that contractors are charging us only for work conducted by appropriately qualified people. Cost-Reimbursable contracts, like the NISC-II, have stringent reporting requirements, because costs are not fixed. Additionally, the NISC II contract type, cost plus award fee, motivates and rewards the contractor for cost control. Other large contracts that provide incentives to the contractor also require similar stringent milestones and reporting and evaluation requirements.

Question 4. Could airport authorities benefit from using Airport Improvement Program (AIP) funds to purchase airport development rights? What are the advantages and disadvantages of such a policy?

Answer. We believe that the purchase of airport development rights would be one method of ensuring that a privately owned airport remains an airport in perpetuity. As we understand the proposal, the State government would purchase these rights from the private owner in lieu of the purchase of the airport in fee simple. Thus, the main advantage is that costs should be much less. If AIP funds are used, the proposal should restrict the ability of the State to resell these development rights. It should also provide that the Secretary can permit a State to sell the development rights if the airport is no longer needed or if it is in the public interest.

Question 5. What was the justification for a 27.6 percent budget estimate increase in spending on contract maintenance from fiscal years 2002 to 2003? What is the estimate for Fiscal Year 2004? If this estimate varies from the Fiscal Year 2003 enacted appropriation level, please explain why.

Answer. The estimate for FY 2004 is $73,581,615, which represents a 30 percent increase over the FY 2003 enacted appropriation level. The increase in contract maintenance is due to the commissioning of newly acquired National Airspace System (NAS) systems hardware.

FAA considers a number of factors when deciding to use contract maintenance and/or in-house staffing. Some of these factors are the expected life of the system, the level of integration with other NAS systems, and the degree of commercial off-the-shelf (COTS) hardware and software in the system. Sometimes contract maintenance is used only as an interim measure to allow time for FAA technicians to be trained and spare parts to be stocked at the FAA Logistics Center for in-house maintenance. However, when the characteristics of particular systems dictate, contract maintenance will be utilized for the full life of the system. In some cases, a combination of contract maintenance (contractor supplies and repairs of lowest repairable units) and in-house staff will do all maintenance tasks.

An example of FAA choosing to have the contractor maintenance for the life of the equipment is contained within the FY 2004 request. We are requesting $9,298,000 for Facility Security Risk Management. This is for contract maintenance of electronic facility security equipment such as closed circuit television, access control devices and intrusion detection systems. Equipment such as this is not integrated with other NAS systems, has a short life span and is commercial-off-the-shelf (COTS), thereby use of contract maintenance is more cost effective.

The HOST Oceanic Computer System Replacement (HOCSR) program is requesting an additional $3,630,000 for contract maintenance. This system uses a combination of contract and in-house staff performing maintenance. In-house maintainers are responsible for system certification and contractors are used for COTS repair.

Contract maintenance costs are expected to continue to grow as new systems and functionality are added to the NAS.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO READ C. VAN DE WATER

Question 1. This committee is very concerned about competitive access issues in the airline industry. One tool we have tried to use to address this concern is the competition plans we require of certain large airports.

- Do you believe these plans are useful?
- Do you believe they could be improved?
- The Administration bill did not include any recommendations in this area. Apparently proposed changes to the competition plans' requirement are still being considered within the Administration. When can we expect such changes to be transmitted to Congress?

Answer. All air carriers should be treated fairly. For this to occur, airport policies and business practices must be transparent—e.g., all air carriers, not just the dominant carrier, should receive timely notice when gates and other facilities become available at an airport. When transparency exists, all air carriers, large and small alike, are able to compete on fair and equal terms. The competition plan requirement is an essential tool for ensuring that airport policies and practices do not unfairly disadvantage any air carriers

We are confident that the competition plan requirement is reducing entry barriers at concentrated airports. We base this conclusion on the actions airport officials have taken to reduce entry barriers at their airports and the discussions we have had with airline managers who are attempting to gain access to or expand service at concentrated airports. The attached paper provides *a partial* list of the competitive policies certain airports have adopted since the competition plan requirement has been in effect. But despite our successes, some airports still retain business practices that make it difficult for smaller air carriers to gain access to the full range of airport facilities or to expand service on terms equivalent to those enjoyed by incumbent carriers.

The FAA and OST staff devote a considerable amount of time to reviewing airport competition plans and offering suggestions as to what actions airport officials could take to reduce entry barriers at their airports. The competition plan process is targeted to address cited complaints and similar practices that may impede or prevent competitive entry. The practices that must be described are those considered to be essential for ensuring robust airline competition and were chosen to avoid undue burdens on airports; indeed, to reduce the regulatory burden, airports are now required to submit competition plans every 18 months, as opposed to every 12 months.

The Department has submitted to Congress a proposal for enhancing the competition plan requirement. This proposal is intended to be added to the Administration's proposed Flight–100 bill.

Attachment

AIRPORT COMPETITION PLANS—*Highlights of Reported Actions to Reduce Barriers to Entry and Enhance Competitive Access*

I. AVAILABILITY OF GATES AND RELATED FACILITIES

Major Elements of Competition Plan

- Number of gates available at the airport by lease arrangement.
- Samples of gate use monitoring charts.
- Description of the process for accommodating new service and for service by a new entrant.

- Description of any instances in which the PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates or has it caused such gates to become available to others.
- Policy regarding "recapturing" gates that are not being fully used.
- Resolution of any access complaints during the 12 months preceding the filing.
- Use/lose or use/share policies for gates and other facilities.
- Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport.
- Availability of an airport competitive access liaison for requesting carriers, including new entrants.
- The resolution of any complaints of denial of reasonable access by a new entrant or an air carrier seeking to expand service in the 12 months preceding the filing of the plan.

Significant Airport Responses

- Asserting control over underutilized gates.
- Designating Competition Access committees.
- Adopting more entry-friendly leasing terms.
- Removing specific access protections for signatory carriers.
- Providing new entrants with informational packages regarding airport access.
- Monitoring gate use.
- Streamlining forced accommodation process.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage—Converted from exclusive to preferential leases upon expiration of exclusive leases; created Competitive Access Team; uses web site to publish gate utilization information.

Atlanta—Provides handbook with airport information to requesting carriers and is invoking recapture authority for unused facilities.

BWI—Developed Airline Accommodations Committee consisting of air service development, operations, planning and commercial management offices.

Burbank—Designates official as new entrant liaison and provides guidance package.

Cincinnati—Using Competition Plan Coordinator to develop procedures and time lines to respond in a timely manner to requests for accommodation.

Cleveland—Competition Task Force established to ensure implementation of competition plan and pursue expansion and growth options; will develop new entrant handbook; assigns Administrative Officer to each airline to monitor sublease activity, assess operational needs to ensure efficiency of use.

Detroit—Adopted a policy to override strict "exhaustion of efforts" clause in its lease provision by assisting a requesting carrier to ease any burden and reduce unnecessary delays associated with acquiring gates and related facilities when the airport is unable to provide those facilities.

Houston Hobby/Intercontinental—Renegotiated long-term, exclusive use leases to shorter term, preferential, minimum-use leases (at some terminals) with commitment on part of airport to facilitate inter-carrier accommodations upon request of interested airline; developed Welcome Letter package to include gate usage information and a general Dispute Resolution Policy Statement, as well as other pertinent information.

Milwaukee—Removed potential obstacle for accommodation that enabled a signatory carrier to refuse to accommodate a "direct competitor."

Minneapolis—Undertook Competitive Marketing initiatives with low-fare carriers and created short-term gates with preferences for new entrant carriers; created new entrant package with plans to publish information package on web site.

Nashville—Streamlining exhaustion of efforts requirement by using web site to encourage new entrants to contact airport directly, assists carrier with voluntary accommodation and negotiations, under a timeline; intends to recapture vacant leased gates upon request of another carrier.

Newark—Initiated review of Master Airline leases, identified provisions enabling airport to regain more control over the use of gates; moved to recapture gates or to force accommodation on gates, based on utilization study; streamlined forced accommodation clause by removing an exhaustion of efforts; appointed New Entry Manager and developed New Entrant Airline Rights package.

Oakland—Installing common use ticketing equipment at ticket counters and gates so that all airlines operating there will use identical gate check-in and gate CUTE equipment, thereby providing maximum flexibility in assigning gates,

even on a per flight basis, thereby increasing the opportunities for competition; provides Airline Entry Package and airport facilitates negotiations between requesting carriers and incumbents.

Providence—Facilitates gate sharing requests and will not enforce lease clause requiring requesting airline to contact all signatories.

Sacramento—Is formalizing gate availability information by preparing an Airline Information Package containing information on available gates, terms of access, and procedures for securing facilities for new service, to be made available on the airport's web page and upon request.

Salt Lake City—Start Up Package provided to requesting carriers includes a gate utilization report summary, a statement about the airport's dispute resolution practices, as well as other necessary information about operating at the airport.

San Antonio—Negotiated expiring lease to provide for preferential-use; Aviation Department assists requesting airlines in gaining access.

San Francisco—Invoked forced accommodation clause to ensure that temporary gate needs of new entrant airlines were met.

San Jose—Established a Tenant Liaison Committee to respond to requests for access within a reasonable time, gather appropriate information, meet with relevant airport personnel, provide gate utilization information to requesting airline, and act as an intermediary between prospective airline and incumbent airline to expedite accommodation; assigned Property Management personnel as first point of contact.

San Juan—Developing policy on gate use and monitoring requirements to be applied to all gates, drafting sublease guidelines and requirements, developing complaints and disputes resolution policy and developing a master lease incorporating the referenced policies and procedures.

II. ARRANGE FOR LEASING AND SUBLEASING

Major Elements of Competition Plan

- Whether a subleasing or handling arrangement with incumbent carrier is necessary.
- How the airports assists requesting airlines to obtain a sublease or handling arrangement.
- Airport oversight policies for sublease fees.
- Process by which availability of facilities for sublease or sharing is communicated to other interested carrier.
- Airport policies regarding sublease fees.
- How complaints by sub-tenants about excessive sublease fees are resolved.
- How independent contractors who want to provide such service as ground handling are accommodated.
- Formal dispute resolution procedure.

Significant Airport Responses

- Beginning to develop dispute resolution process.
- Asserting more control and oversight over sublease fees, terms, and conditions.
- Imposing sublease caps on administrative fees.
- Reviewing and/or pre-approving subleases.
- Notifying carriers of gates available for subleases.

Highlights of Recent Actions Reported by Individual Airports:

Albuquerque—Adopting dispute resolution procedures.

Anchorage—Requires airport approval and caps administrative fees; adopting dispute resolution procedures.

Atlanta—Adopting dispute resolution procedures.

Austin—Requires airport approval and caps administrative overhead fees.

BWI—Caps fees and requires airport approval.

Chicago O'Hare—Adopting dispute resolution procedures.

Chicago Midway—Gate committee is developing dispute resolution procedures for use on domestic gates.

Cleveland—Pre-approves subleases, caps fees; common-use gate protocol manages gate occupancy times and fines user for failure to comply; adopting dispute resolution procedures.

Dallas Love Field—Adopted a policy to cap sublease administrative fees.

Dallas-Fort Worth—Adopting dispute resolution procedures.

Denver—Adopting dispute resolution procedures.
Detroit—Caps sublease fees for forced accommodation arrangements; requires airport approval for subleases with new entrants; gate utilization policy assures that subtenant will not be disadvantaged by a schedule change of the tenant.
Houston Hobby/Intercontinental—Will initiate the development of a formal dispute resolution process.
Kahului—Requires pre-approval of a sublease and discourages excessive sublease rents.
Memphis—Adopting dispute resolution procedures.
Newark—Is developing more formalized procedures for hearing complaints in addition to considering complaints at station manager or airlines affairs meetings.
Oakland—Requires airport manager's pre-approval for sublease or assignment; restricts amount of assigned space that may be assigned or sublet to another airline; caps fees.
Ontario—Is developing a Gate Use Committee to resolve disputes, set timeline for appeals
Palm Beach—Pre-approval required for subleases; airport has authority to recapture subleased facilities when they represent over 50 percent of the tenant's leasehold; caps administrative fees; adopting dispute resolution procedures.
Reno—Adopting dispute resolution procedures.
San Antonio—Adopting dispute resolution procedures.
Saint Louis—Airport consent required for subleases; ground-handling fees are subject to airport oversight; preferential-use sublease terms and fees subject to airport oversight; will address sublease markups in new airline use agreement.
San Jose—Developed an Airline Access Complaint form and established procedures for resolving complaints within a reasonable time. Also oversees sublease fees per revised lease and applies, as a matter of policy, sublease fee caps on subleases executed under older master lease.
San Francisco—Adopting dispute resolution procedures.
Washington Dulles—Requires prior approval of subleases and handling agreements; caps sublease fees.

III. PATTERNS OF AIR SERVICE

Major Elements of Competition Plan

- Markets serviced.
- Small communities served.
- Markets served by low-fare carrier.
- New markets added or dropped in past year

Significant Airport Responses

- Using market analysis to add competitive services.
- Using marketing tools to attract low-fare services.

Highlights of Recent Actions Reported by Individual Airports:

Albuquerque—Instituted New Entrant Promotional Program as an incentive to promote competition.
Charlotte—Performed a Competitive Air Service Assessment indicating possibilities for adding low fare carrier service on certain routes; implemented marketing plan to attract additional service.
Palm Beach—Eliminated surcharge on use of common-use gates for a seasonal or temporary basis; is conducting an "air service enhancement campaign" to increase the air service opportunities available at its airport and to enhance the revenue-generating opportunities for airlines.
Pittsburgh—Provides Airline Information Package; adopted Air Service Marketing Incentive Program to encourage new and competitive air service for existing and new carriers.
Reno—New Airline Incentive Policy implemented; Business Development and Property Administration Division coordinates the accommodation of services and facilities for new entrants, including assisting in negotiations with incumbent signatory airlines and participation in incentive programs.

IV. GATE ASSIGNMENT POLICY

Major Elements of Competition Plan

- Method of informing carriers of gate assignment policy.
- Methods for announcing to carriers when gates become available.
- Policies on assigning RON positions.

Significant Airport Responses

- Adopting gate assignment protocols with consideration for new entrants.
- Changing signatory policies to lessen burdens on new entrants.
- Notifying all carriers of gate availability.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage—Posts gate utilization information and availability on web site; is required to post public notice prior to leasing space.

Atlanta—Will add link to web site for tenant information; will post information on underused gates after gate use surveys.

BWI—Will revise policy to offer signatory status to any airline willing and qualified to assume substantially similar obligations as those required of a signatory carrier when, due to the physical space limitations at the airport, that airline is otherwise precluded form leasing a full complement of space. Also, will post gate/hold room availability information on its web page and will advertise announcements of gates.

Charlotte—Non-signatory/new entrant landing fee is the same as a signatory landing fee.

Chicago O'Hare—Notified all carriers by facsimile of availability of common-use gate.

Houston Intercontinental—Reassigned underused leased space to an incumbent air carrier for its expansion.

Miami—Prohibits carriers from controlling gate assignments and from transferring or assigning ticket counter positions; requires sharing of contiguous and underutilized ticket counters.

Nashville—Will post information on gate availability on its web site.

Newark—Notified interested subtenant carriers of potential gate availability during Master Lease Utilization review process; adopted common use procedures (for use to resolve competing interests in a gate) with a priority to new entrants offering competitive services.

Oakland—Provides written notification to airlines as gates become available and includes estimate date of availability; requesting airlines must provide current and planned schedule information.

Philadelphia—Intends to assign new gates on basis of accommodating competitive airline service, considering, among other factors, whether airline is a "low fare" airline, nonstop markets, size of aircraft, frequency of operations, etc.

Pittsburgh—For PFC-financed gates, airport will give priority to new, competitive airline service; signatory fee status not dependent on minimum leasehold.

Phoenix—Is studying the development of contractual and/or regulatory tools to allow airport to better coordinate gate-sharing opportunities; provides gate use and schedule information to prospective entrant carriers; provides New Entrant Information package, containing gate utilization information, to prospective entrant to enable it to make informed decision on which incumbent air carriers to contact for shared gate agreements.

Sacramento—Replaced County ordinance gate assignment process with a lease agreement providing for short-term, preferential-use leases subject to airport reassignment; is developing Airline Information Package to be provided on airport's web page.

Saint Louis—Signatory status is available to subtenants; gate assignment procedures will be published on web site; simultaneously advises all carriers of gate availability; will use its web site to publish relevant information for serving airport; is developing and placing timelines for access; City agent is contact point for City gates as well as facilitating sublease accommodation.

V. GATE USE REQUIREMENT

Major Elements of Competition Plan

- Gate use monitoring policy.
- RON monitoring policy.
- Requirement for signatory status.
- Minimum requirements for a lease.
- Accommodation priorities.
- Common-use gate usage policies.
- Methods for calculating rental rates for common-use gates.

Significant Airport Responses

- Developing per-gate use monitoring policies.
- Making gate usage information available.

- Adopting similar minimum utilization requirements for incumbent and new entrant carriers.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage—Uses its newly installed Multi-User Flight Information Display System (MUFIDS) to identify space to fill specific requests as they arise and to determine which gate are subject to recapture; information is made available upon request and on web site; RON positions are monitored through ground handler.

Chicago Midway—Monitors gates on a per-gate basis to track airline compliance with preferential lease utilization requirements, implement shared-use provisions, develop gate use procedures, and analyze construction phasing, and develop utilization criteria. Also used to schedule airport services such as parking, custodial services, concessions and security.

Dallas-Fort Worth—Instituted formal Gate Monitoring and Reporting Procedures, under auspices of a Gate Monitoring Task Force, in support of PFC competitive access assurance, using FIDS-produced monthly gate activity reports and flight activity reports, for summary daily gate utilization activity by gate and terminal.

Denver—Will negotiate a narrower "preferential" gate availability window with its hubbing carrier and will review the use/lose provisions to ensure they are pro-competitive; drafted 5 Year Strategic Business Plan.

Detroit—Formulated a policy for (1) a gate allocation package that will chart scheduled daily and weekly departures per carrier and (2) an on-going gate monitoring program to determine whether minimum utilization is met.

Miami—Has an active gate-monitoring program to control gate assignments on a daily basis.

Minneapolis—Generates bimonthly gate plot based on scheduled gate usage, modified to reflect actual usage.

Oakland—Monitors gate usage and analyzes and maps flight schedules on a weekly basis to determine availability of space and minimum gate usage, for purposes of determining whether to exercise the 30 day revocation process for a preferential-use gate permit.

Palm Beach—Monitors common-use gate utilization and uses airline provided monthly reports and airport daily monitoring to oversee preferential-use gate usage to determine whether a reallocation of gates should be undertaken to better balance user needs with terminal capacity, and for marketing purposes, that is, identifying high demand or un-served demand markets.

Pittsburgh—Uses new software to monitor gate usage on all gates and to identify opportunities to accommodate new entrants and maximize facility utilization.

Phoenix—Performs periodic studies of flight schedules to monitor gate utilization; will use the studies to communicate gate availability to prospective entrant carriers and will incorporate it in new entrant airline packet; will also use studies to better manage and adjust operating schedules for terminal food beverage and retail concessions; will perform formal gate utilization analysis for each carrier when vacancy rates subside.

Providence—Monitors gate use relying on airline schedule information; uses this information to assist a new entrant in identifying a potential signatory carrier to accommodate it.

Saint Louis—Monitors average daily gate utilization through scheduled daily flight information supplied by airlines; requires monthly gate utilization report in each short term preferential use permit and for new master preferential lease to replace that expiring at year end 2005.

VI. FINANCIAL CONSTRAINTS

Major Elements of Competition Plan

- Major source of revenue for terminal projects.
- Use of PFCs for gates and related terminals.
- Availability of discretionary income for capital improvement projects.

Significant Airport Responses

- Using discretionary income for gate projects.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage—New Airline Operating Agreement permits airport to rate-base capital projects required to accommodate a new entrant or expanding airline, under certain conditions.

Chicago O'Hare—Purchased exclusive-use gate with discretionary funds and converted it to common use.

VII. AIRPORT CONTROLS OVER AIRSIDE AND GROUNDSIDE CAPACITY

Major Elements of Competition Plan

- Majority-in-interest (MII) clauses covering projects.
- Projects delayed because MII clauses revoked.
- Plans to modify existing MII agreements.

Significant Airport Responses

- Exempting capital projects necessary for competition from MII votes.

Highlights of Recent Actions Reported by Individual Airports:

Nashville—May consider, as not enforceable, an MII vote against a development project for the purposes of excluding competition, when the development project is necessary for the airport to meet its obligation to provide access on reasonable terms as required by the AIP assurances.

Providence—Interprets MII clause that excludes from MII concurrence projects to comply with Federal requirements as permitting airport to construct terminal facilities to enhance competition without MII approval.

VIII. AIRPORT INTENTIONS TO BUILD OR ACQUIRE GATES TO BE USED AS COMMON FACILITIES

Major Elements of Competition Plan

- Common-use gates available.
- Common-use gates scheduled to be built.
- International gates available for domestic use.
- Fee differences between international gate use for domestic service and domestic gates.
- Carrier reliance on common-use gates.

Significant Airport Responses

- Utilizing discretionary income to acquire common-use gates.
- Adopting common-use gate fees comparable to fees charged for leaseholds.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage—Converted from exclusive to short-term preferential (subject to recapture) and common-use gates.

Atlanta—Recaptured a temporary exclusive-use gate for preferential use, and converted one underused preferential-use gate to a common-use gate.

BWI—Installing common use terminal equipment (CUTE) in all common-use gates to enhanced the ability of airlines to share gates and hold rooms thereby increasing airport capacity.

Chicago O'Hare—Converted exclusive-use gate to common use.

Cleveland—Adopted protocol for common use gate with priorities given for (a) use by existing carrier that does not lease a gate, (b) a new entrant, and (c) an carrier seeking to expand; would apply this protocol, as needed to exclusive-use gates. Three gates converted to common use; common use gate legislation passed by City; gate program management contract developed; protocol adopted.

Houston Hobby/Intercontinental—Use CUTE system at all ticket counters; IAH has constructed common-use/preferential-use gates; HOU has common-use gates and is developing a standard fee for any common gate use to charge separately for gate use, ticket counter, and common facility use to eliminate confusion in combined "per turn" rates).

Nashville—Has several common-use gates available for requesting carriers; airport will negotiate vacant gate recapture, upon request.

San Jose—Is developing a common use philosophy for the design of new and renovated passenger terminal facilities, including the use of plasma signs, generically sized gates to facilitate sharing, an integrated data system similar to CUTE II to be installed at ticket counters and gate podiums, and a shared baggage screening system.

IX. AIRFARE LEVELS AS COMPARED TO OTHER LARGE AIRPORTS

Major Elements of Competition Plan

- Carrier local passenger, average fare, market share and average passenger trip-length data.
- Data above compared to other airports.

Significant Airport Responses

- Using fare data to illustrate competitive strength.
- Using market share data to attract new service.

Highlights of Recent Actions Reported by Individual Airports:

Chicago O'Hare—Using fare data, actively tracks O'Hare's competitive position relative to other O'Hare markets.

Palm Beach—Using market share data to highlight market opportunities for new and incumbent carriers.

30 Airports—Published Competition Plan, including market-share data, on web page.

Small Community Air Service Development Pilot Program

Question 2. Your testimony is generally complimentary of the small community pilot program. The Department's budget, however, does not request any funding for Fiscal Year 2004—why not?

Answer. The Pilot Program was authorized for the three-year period covering fiscal years 2001, 2002, and 2003. This fiscal year is the last year the program has been authorized and the Administration was not, therefore, in a position to seek funding for the program for fiscal year 2004. However, the Administration's proposal in its Reauthorization Bill, Flight-l00, includes a provision for small hubs and non-hubs to seek Federal assistance to improve service at their communities. It differs from the current program in that it requires a contribution of 25 percent. It also eliminates the restrictions on the number of communities that can participate and the state limitations. The broad flexibility and the "grant" structure have been retained.

Essential Air Service Program

Question 3. Why don't more passengers use EAS-subsidized service?

Answer. As mentioned above, a "one size fits all" approach has not proven to be very successful. Providing communities more direct involvement and increased flexibility in meeting their individual needs will better ensure that the service is more tailored to communities' individual needs and, thus, that the maximum number of passengers will use the service.

Essential Air Service Program

Question 4. The Administration's proposed budget for FY 2004 caps EAS spending at $50 million and modifies the program to include, among other requirements, local matching funds. What is the anticipated impact of these program changes on air service to small communities?

Answer. We are proposing a fundamental change in the way that the Government delivers transportation services to rural America. For too long, many communities—there are a few exceptions—have taken Essential Air Service for granted as an entitlement and done little or nothing to help make the service successful. Requiring a modest contribution should energize civic officials and business leaders at the local and State levels to encourage use of the service. Communities will also have many more service options available to them. Rather than the two or three round trips per day to one hub that EAS has traditionally provided, we will work with the communities and State Departments of Transportation to procure an appropriate level of service that is responsive to their needs, whether it is charter service, single-engine/single-pilot service, regionalized service, or ground transportation. As stakeholders in their service, the communities will become key architects in designing their specific transportation package.

Under the Administration's Flight–100 reauthorization proposal, for the most isolated communities, we will continue to subsidize air service to the extent of 90 percent of the total subsidy required. For the least isolated communities (those within 100 miles of a large or medium hub or 75 miles of a small hub or 50 miles of a non-hub with jet service), we will be willing to pay for one-half of the cost of surface transportation. The remaining communities would have to contribute 25 percent of the total subsidy required.

Question 4a. How many communities and passengers are estimated to continue receiving EAS funding under the Administration's FY 2004 budget proposal? How many communities and passengers will likely lose subsidized service?

Answer. We expect that approximately 70–80 communities, generating in excess of half a million passengers a year, will retain service, while 50–60 communities, generating 350,000–400,000 passengers a year, may lose air service.

Question 4b. Will Alaskan and Hawaiian communities, which face significant geographic challenges from communities in the Lower 48, be subject to the same program changes?

Answer. Communities that are not able to raise the necessary funds would not automatically be cut off from the national air transportation system. We would take into account geographic isolation, with particular deference to communities that have no access to the national transportation system other than by air, such as islands. In addition the funds do not need to come from the community exclusively, or even at all, but can come from a variety of sources, both public and private. In fact, we encourage statewide participation by a variety of state agencies, including, of course, State departments of transportation. Communities could also look to their chambers of commerce for additional support.

Question 4c. How will these changes affect the regional carriers that currently rely on EAS subsidies?

Answer. To the extent that not all currently subsidized EAS communities will participate in the program, some carriers will lose some routes. However, we do not expect that any carriers will be materially hurt. In fact, those communities that remain in the program should be more aggressive in taking a leadership role in ensuring that the air service is successful.

Essential Air Service Program

Question 5. What is the Department's estimate of how much the EAS program will cost in Fiscal Year 2004 if Congress does not make the programmatic changes you have proposed?

Answer. The Department has found itself in the past caught among conflicting statutes: (1) communities' entitlements to receive at least a minimum level of air service; (2) carriers' rights not to be forced by the Government to serve communities at a loss; and (3) the Department's being subject to the Anti-deficiency Act.

As you know, the EAS subsidy makes up the gap between expenses and revenues, and the attacks of 9/11 caused expenses to increase and revenues to decrease, thus significantly increasing required subsidy levels. More recently, the Iraq war and SARS have depressed airline revenues even further. Thus, it is still very unclear how many additional non-subsidized EAS communities will require subsidy in FY 2004 as a result of the sole remaining carrier's filing a notice to suspend the last service there. Since 9/11, we have received 50 suspension notices—27 of them triggering new subsidy. At that rate of newly subsidized communities, it appears that $113 million will not be sufficient to maintain status-quo service levels.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO GERALD L. DILLINGHAM

Question 1. Your testimony notes that it still takes 10 to 14 years to complete a major runway project. Our bill tries to address this problem by giving the Secretary tools to accelerate capacity critical projects. How successful do you think our approach will be? What can be done legislatively and administratively to reduce the time required to complete runways?

Answer. We believe the measures proposed in the Aviation Investment and Revitalization Vision Act (S–824) to expedite the environmental review process address many of the challenges identified in our January 2003 report and should make a difference in the amount of time it takes to build a major runway project.[1] Completing the environmental review process, specifically complying with extensive and duplicative Federal and State requirements and obtaining the necessary permits was cited as one of the most significant challenges by the airports we surveyed. However, it is also important to point out that our work shows that airports also experienced challenges in other phases of the runway process including reaching agreement the purpose and need during the planning phase and on how to mitigate the impact of noise and other quality of life issues.

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[1] U.S. General Accounting Office, *Aviation Infrastructure: Challenges Related to Building Runways and Actions To Address Them* GAO–03–164 (Washington, DC)

Regarding whether additional legislative or administrative actions are needed, the Federal Government and airport authorities have undertaken a number of actions to reduce the time required to complete runways. For example, Executive Order 13274, entitled Environmental Stewardship and Transportation Infrastructure Project Reviews, is designed to streamline the environmental review of transportation infrastructure projects by requiring federal agencies that conduct environmental reviews to develop procedures that will allow the reviews to be completed in a timely and responsible manner. Thus, we believe that Congress should allow airports to use the existing tools and evaluate the effectiveness of these efforts before making any additional legislative or administrative changes to the process for building runways.

Question 2. Do you believe that appointing a Chief Operating Office (COO) will improve the management of the air traffic control system at the FAA?

Answer. The appointment of a chief operating officer to manage the day-to-day operations of the air traffic control system will be a positive step for FAA and the aviation industry and should, over time, lead to improvements in the overall management and delivery of air traffic control services. The Air Traffic Services Subcommittee, which is responsible for overseeing the Administration and management of the air traffic control system, called the chief operating officer the "lynchpin" of the new performance-based organization. We agree.

As envisioned, the chief operating officer will be held accountable for transforming FAA's culture to one that is more results oriented and customer focused. Lack of accountability has been a contributing factor in the on-going problems that FAA has encountered in modernizing the air traffic control system. While the cultural transformation is expected to take several years, the flexibilities that Congress granted FAA in the areas of personnel and procurement should help facilitate the chief operating officer's efforts to hold employees accountability for results.

Question 3. If substantial amounts of AIP funds continue to be used for security, what will be the impact on safety and capacity projects? Where will that put us five years from now when demand of air travel has returned?

Answer. Continuing to use significant amounts of AIP funds for security projects could have a profound impact on future airport development including safety and capacity projects. As we reported in our October 2002 report, using a half billion in AIP grant funds for new airport security requirements has had some affect on other airport development projects.[2] FAA had to decrease the amount of AIP grant funds for capacity, environment, reconstruction, safety, and standards, with the largest reductions occurring in standards and reconstruction. For example, there was almost a $156 million decrease in standards projects and a $148 million decrease in reconstruction projects. In addition, FAA also deferred three letter-of-intent payments until Fiscal Year 2003 to the following three airports:

Hartsfield International Airport in Atlanta, GA, which is the busiest airport in the country with almost 40 million enplanements per year and was one of the most delayed airports in 2000 and 2001, had $10 million for a runway deferred;

Cincinnati/Northern Kentucky Airport in Covington, KY had $10 million for a new runway deferred; and

Indianapolis Airport in Indianapolis, IN, had $7.5 million for a new apron and taxiway deferred.

Moreover, if we do not ensure that AIP grants are available to fund capacity enhancing projects, such as runways, which take 10–14 years to build, the National Airspace System may not be able to handle air traffic when it returns.

Question 4. The GAO has done a lot of work on management issues at the FAA. What recommendations do you have in terms of legislative proposals that we should consider to improve FAA management?

Answer. Before the Congress initiates new legislative remedies, we believe that FAA should complete the implementation of statutory authorities that the Congress has already provided, fully address recommendations that we and the Department of Transportation's Inspector General (DOT/IG) have made, and ensure that management is held accountable for results.

During the last several years, the Congress has provided legislative relief for FAA to facilitate management improvements in most of its core organizational areas, especially acquisitions and personnel. In addition, we and the DOT/IG have conducted extensive program reviews and made numerous recommendations for improvement.

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[2] U.S. General Accounting Office, *Airport Finance: Using Airport Grant Funds for Security Projects Has Affected Some Development Projects,* GAO–03–27 (Washington, DC)

Although FAA has made improvements in some of these areas, many of the problems that the legislative relief was expected to remedy continue to plague the agency. As our work has shown, a major factor contributing to the continuation of the agency's problems is that FAA has not taken full advantage of the legislative relief that the Congress provided and has not fully addressed many of our and the DOT/IG's recommendations. The following examples illustrate FAA's incomplete implementation of its existing statutory authorities and of our recommendations.

In 1995, the Congress granted FAA unique and powerful legislative flexibilities to improve its major acquisition and workforce management. Our studies have shown that FAA has not fully implemented these flexibilities. Most notably, it has not included some critical processes or elements for evaluating results, providing feedback loops for modifying initiatives as necessary, and holding mangers accountable.

In 2000, the Congress mandated a new governance structure to accelerate the modernization and improve the performance of the air traffic control system. One component of the new structure, the Air Traffic Services Subcommittee, has been meeting since January 2001 and is working with FAA managers to establish performance metrics for the air traffic control system. However, it is now 2003, and the other major components of the new governance structure have not yet been implemented.

A key tool for efficient agency management is accurate and timely information on costs. FAA has been implementing a cost accounting system for several years, but major components are not yet in place. Furthermore, as we have reported, inadequate internal controls place hundreds of millions of dollars at risk of fraud, waste, and abuse.

To improve its oversight of aviation safety, FAA in 1998 implemented a new and enhanced safety inspection program—the Air Transportation Oversight System (ATOS). We found in 1999 that FAA had not finished implementing some critical steps, such as developing guidance for its inspectors and establishing a database of inspection findings for use in targeting its inspection resources to the areas of greatest risk. In 2002, the DOT/IG reported that the program's implementation remains inconsistent because FAA has not established strong oversight and accountability procedures, and our recent discussions with FAA point to a need for further improvements in its guidance and databases.

Given that FAA has not yet fully implemented the statutory authorities that the Congress has already provided and has not fully addressed the recommendations that we and the DOT/IG have made, and given that FAA has not provided for evaluating some of the initiatives that it has implemented, we recommend that before initiating new legislation, the Congress consider using its oversight and budget authority to ensure the full implementation of FAA's existing statutory authorities, the implementation of GAO and DOT/IG recommendations, and management accountability.

Question 5. The FAA recently revised outward estimates of when its passenger traffic will reach pre-September 11 levels. Do you believe there is a real need for immediate infrastructure investment?

Answer. Although FAA does not expect passenger traffic to rebound until 2007, the current slowdown in the aviation industry and the economy provides a window of opportunity to prepare for future growth at those airports where congestion and delays were the most significant in 2000. Moreover, if the type of infrastructure investment involves building runways then timing is critical given that we found that it can take between 10 to 14 years to build a runway.

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