

DEPARTMENTS OF TRANSPORTATION, TREASURY, THE JUDICIARY, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 2007

THURSDAY, MAY 4, 2006

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:36 a.m., in room SD-138, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond, Bennett, Stevens, Burns, Murray, Durbin, and Dorgan.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

STATEMENT OF HON. MARION C. BLAKEY, ADMINISTRATOR

ACCOMPANIED BY:

DAVID DOBBS, ASSISTANT INSPECTOR GENERAL FOR AVIATION AND SPECIAL PROGRAM AUDITS, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Good morning. The Senate Appropriations Subcommittee on Transportation, Treasury, Judiciary, HUD and related agencies will come to order.

It is a pleasure to welcome FAA Administrator Marion Blakey and thank her once again for appearing before us today to testify on the Federal Aviation Administration's budget request for fiscal year 2007.

Madame Administrator, no matter what concerns I raise, I want you to know that I respect your dedication and commitment to the success of FAA. There are no simple issues. I know you have committed yourself to making the FAA a model agency. I want that to be on the record, because we will have many areas of difficult questions that we need to raise and I want everybody to understand how much we support your efforts.

The administration's budget proposes \$13.7 billion in new spending commitments for the FAA, a \$560 million decrease from fiscal year 2006. While the FAA operational activities would see a 3.2

percent increase over the amount provided last year, the budget would impose a dramatic cut in Federal airport construction investment, most in funding reductions in the Airport Improvement Program.

In addition, facilities and equipment would receive \$2.5 billion which is a 0.5 percent decrease from last year, and \$607 million below the authorized level.

Nevertheless, the real cut comes from the Airport Improvement Program, which would only get \$2.57 billion, down \$765 million from last year or a 22 percent decrease and \$950 million below the authorized amount.

We have tried to make the case to the Office of Management and Budget, and anybody else who would listen, that the AIP program is critical to the future of commercial aviation in the Nation. My colleagues and I are ones who understand and use the airport services around the country and we know how important they are to the successful economic growth of our communities and the businesses, employers and employees who depend upon them.

Unfortunately, this cut means increased funding for salaries and expenses, and the hiring of air traffic controllers and safety inspectors comes at the expense of funding needed for airport investment improvements under the AIP program.

If the administration were to follow the blueprint of VISION-100, the authorizing legislation for aviation, in the same manner in which we funded needed highway improvements under SAFETEA, the AIP number for 2007 would be \$3.7 billion rather than the \$2.57 billion requested. Consequently, I need to understand the justification for this funding cut and how the administration and OMB intends to maintain a world class commercial aviation industry.

In particular, I am very much concerned about what cuts to the AIP program formula will mean specifically to the construction needs of airports, especially small airports since larger airports tend to rely on per capita passenger facility charges or bond issues to pay for their capital development.

As I understand it, the formula entitlement for primary airports would be cut by 44 percent under the budget request which would result in a drop from \$1 million to \$650,000 for primary airports.

The formula entitlement for general aviation would also cut funding for general aviation airports by 29 percent, resulting in the elimination of the current \$150,000 annual minimum per airport. In fact, many general aviation airports would lose funding altogether.

In addition, and more importantly, the Aviation Trust Fund is slowly going broke and needs real reform. This is a key issue facing Congress and I urge the administration to announce its proposal on the funding of the Trust Fund as soon as possible. These are complex issues that deserve comprehensive consideration over a significant period of time. There are no quick or easy answers.

In particular, the poor economic condition of the aviation industry has had a negative impact on the Trust Fund. Trust Fund revenues more than doubled from \$4.9 billion in 1990 to \$10.7 billion in 2000. The trend changed in fiscal year 2001 when revenues fell slightly to \$10.2 billion. In 2003 revenues again dropped slightly to

\$10.1 billion. Because aviation has remained constant, there has been a steady decline in the uncommitted balance in the Trust Fund, which stood at \$4.8 billion at the end of 2002. Over the next 2 years these funds, and any other collections, are expected to be fully spent on aviation activities.

Also, over the next 15 years, passenger boarding is expected to grow by some 15 percent, including a 30 percent growth in air transport and commercial operations. At the 35 busiest airports in the Nation, total operations are expected to grow by more than 34 percent by 2020.

While the administration is expected to propose new ways to fund the Aviation Trust Fund, we cannot afford to shortchange our commercial air needs in the meantime. We need answers to all these issues but more importantly we need adequate funding.

The bottom line is there needs to be a new approach to the Aviation Trust Fund to ensure the long-term stability and growth of the airline/aviation industry. First, all taxes that go to the Trust Fund will expire on September 30, 2007. As a result, I expect and understand the FAA has been doing outreach on alternative funding options, although I expect taxes and other fees to remain a significant part of any proposal.

While there has been a lot of pressure by the major air carriers to balance out the funding of the Trust Fund, we need to ensure that we develop a healthy balance that supports the economic viability of all aspects of the aviation industry, from small planes and general aviation to the large carriers.

This is a fragile industry, as you well know, and it must be respected. As a matter of perspective, the air traffic control system in fiscal year 2005 served some 739 million passengers and over 39 billion ton miles of freight, a number that is very difficult to comprehend because of its size.

The FAA also maintains a system of some 70,000 facilities and equipment. There are FAA operated or contract operated towers at 500 airports with the FAA responsible for inspection and certification of 220,000 aircraft and 610,000 pilots. The size and the magnitude of the aviation industry is huge and we must balance how we pay and support the industry. This is critical to the economic vitality and the growth of our Nation and its economy.

The FAA is facing many other important issues regarding oversight and administration of a number of contracts designed to modernize equipment. In particular, and this is an area of major concern to me, the FAA IG reviewed 16 major acquisitions in 2005 and found projects experience a growth cost of over \$5.6 billion from \$8.9 billion to \$14.5 billion. In addition, 9 of 16 projects had schedule delays ranging from 2 to 12 years, and 2 other projects were deferred pending further evaluation. Since the last report on these projects, the estimated cost of 6 of the 16 has increased by nearly \$1.7 billion.

More importantly, the IG recently raised concern about the FAA Telecommunications Infrastructure Contract where the FAA intends to replace seven existing FAA-owned and leased telecommunication networks with a single network that would cost less to operate. Unfortunately, we understand that costs are growing, which means that the expected savings are eroding. I think this is

a critical issue requiring your complete attention. The network needs to be implemented quickly and at a fair price if we are to make the change to save money.

In addition, there are a number of other important issues facing the FAA, including the current impasse over the air traffic controller contract. Obviously, this is a tough issue. We have a fine group of air traffic controllers who are responsible for the management of our airways and we depend upon them for safety in our flight activities. They do a great job which places them under substantial stress.

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Nevertheless, I understand the FAA has tried to balance the contract needs of the air traffic controllers with the skyrocketing costs that have occurred under the last contract. I do not think the FAA contract proposal is a perfect document, but it appears the FAA has attempted in good faith to find a balance that is fair and equitable and ultimately this will mean savings that will free up funds for other staffing, redevelopment and capital needs. These are critical funds in a time of tight budgets.

Again, I thank you for your hard work and I look forward to hearing your testimony. I now turn to my ranking member, Senator Murray.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

The Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary, HUD, and Related Agencies will come to order. We welcome FAA Administrator Marion Blakey and thank her for appearing before us today to testify on the Federal Aviation Administration's budget request for fiscal year 2007. Ms. Blakey, no matter what concerns I raise, I want you to know that I respect your dedication and commitment to the success of the FAA. There are no simple issues, and I know you have committed yourself to making the FAA a model agency.

The administration's budget proposes \$13.7 billion in new spending commitments for the FAA, a \$560 million decrease from fiscal year 2006. While the FAA operational activities would see a 3.2 percent increase over the amount provided last year, the budget would impose a dramatic cut in Federal airport construction investment, mostly in funding reductions in the Airport Improvement Program (AIP). In addition, Facilities and Equipment would receive \$2.5 billion, which is a half percent decrease from last year, and \$607 million below the authorized level. Nevertheless, the real cut comes from the Airport Improvement Program, which would only get \$2.75 billion, down \$765 million from last year, or a 22 percent decrease, and \$950 million below the authorized amount.

As the administration knows, the AIP program is critical to the future of commercial aviation in the Nation. This cut means increased funding for salaries and expenses and the hiring of air traffic controllers and safety inspectors at the expense of funding needed for airport investment improvements under the AIP program. If the administration were to follow the blueprint of VISION-100, the authorizing legislation for aviation, in the same manner in which they funded needed highway improvements under SAFETEA, the AIP number for fiscal year 2007 would be \$3.7 billion, rather than the \$2.75 billion requested. Consequently, I need to understand the justification for this funding and how the administration intends to maintain a world-class commercial aviation industry.

In particular, I am very concerned about what cuts to the AIP program formula will mean specifically to the construction needs of airports, especially small airports since larger airports tend to rely on per capita passenger facility charges or bond issues to pay for their capital development. As I understand it, the formula entitlement for primary airports would be cut by 44 percent under the budget request which would result in a drop from \$1 million to \$650,000 for primary airports. The formula entitlement for general aviation would also cut funding for general aviation airports by 29 percent, resulting in the elimination of the current \$150,000 annual

minimum per airport. In fact, many General Aviation Airports would lose funding altogether.

In addition, and more importantly, the Aviation Trust Fund is slowly going broke and needs real reform. This is a key issue facing Congress and I urge the administration to announce its proposal on the funding of the trust fund as soon as possible. These are complex issues that deserve comprehensive consideration over a significant period of time. There are no easy or quick answers.

In particular, the poor economic condition of the aviation industry has had a negative impact on the trust fund. Trust fund revenues more than doubled from \$4.9 billion in fiscal year 1990 to \$10.7 billion in fiscal year 2000. The trend changed in fiscal year 2001 when revenues fell slightly to \$10.2 billion. In fiscal year 2003, revenues again dropped slightly to \$10.1 billion. Because aviation has remained constant, there has been a steady decline in the uncommitted balance in the trust fund, which stood at \$4.8 billion at the end of fiscal year 2002. Over the next 2 years these funds and any other collections are expected to be fully spent on aviation activities.

Also, over the next 15 years, passenger boarding is expected to grow by some 15 percent, including a 30 percent growth in air transport and commercial operations. At the 35 busiest airports in the Nation, total operations are expected to grow by more than 34 percent by 2020. While the administration is expected to propose new ways to fund the aviation trust fund, we cannot afford to shortchange our commercial air needs in the meantime. We need answers to all these issues, but more importantly, we need adequate funding.

The bottom line is there needs to be a new approach to the Aviation Trust Fund to ensure the long-term stability and growth of the airline/aviation industry. First, all taxes that go to the Trust Fund will expire on September 30, 2007. As a result, I expect and understand that the FAA has been doing outreach on alternative funding options although I expect taxes and other fees to remain a significant part of any proposal. While there has been a lot of pressure by the major air carriers to balance out the funding of the Trust Fund, we need to ensure that we develop a healthy balance that supports the economic viability of all aspects of the aviation industry, from small planes in general aviation to the large carriers.

This is a fragile industry that must be respected. As a matter of perspective, the air traffic control system in fiscal year 2005 served some 739 million passengers and over 39 billion ton miles of freight. FAA also maintains a system of some 70,000 facilities and equipment. There are FAA-operated or -contract towers at 500 airports with FAA responsible for the inspection and certification of about 220,000 aircraft and 610,000 pilots. The size and magnitude of the aviation industry is huge and we must balance how we pay and support the industry. This is critical to the economic vitality and growth of the Nation.

The FAA is facing many other important issues regarding oversight and the administration of a number of contracts designed to modernize equipment. In particular, the FAA IG reviewed 16 major acquisitions in 2005 and found projects experiencing a growth cost of over \$5.6 billion, from \$8.9 to \$14.5 billion. In addition, 9 of the 16 projects had schedule delays ranging from 2 to 12 years and 2 other projects were deferred pending further evaluation. Since the last report on these projects, the estimated cost of 6 of the 16 projects has increased by nearly \$1.7 billion.

Most importantly, the IG recently raised concern about the FAA Telecommunications Infrastructure contract where the FAA intends to replace 7 existing FAA-owned and -leased telecommunications networks with a single network that would cost less to operate. Unfortunately, costs are growing which means any expected savings are eroding. This is a critical issue requiring your complete attention. This network needs to be implemented quickly and at a fair price.

In addition, there are a number of other important issues facing FAA, including the current impasse over the Air Traffic Controller contract. Obviously a very tough issue. We have a fine group of air traffic controllers who are responsible for the management of our airways. They do a great job which places them under substantial stress. Nevertheless, the FAA has tried to balance the contract needs of the air traffic controllers with the skyrocketing costs that have occurred under their last contract. I do not think the FAA contract proposal is a perfect document but I do believe that the FAA has attempted in good faith to find a balance that is fair and equitable, and ultimately this will mean savings that will free up unneeded funds for other staffing needs, redevelopment and capital needs. These are critical funds in a time of tight budgets.

Again, I thank you for your hard work and look forward to hearing your testimony. I now turn to my ranking member, Senator Murray.

STATEMENT OF SENATOR PATTY MURRAY

Senator MURRAY. Thank you very much, Mr. Chairman, for calling this hearing and I join you in welcoming our FAA Administrator, Marion Blakey, before the subcommittee this morning.

Commercial aviation is a critical part of our national economy and our future. In 2004, the U.S. civil aviation sector generated \$1.37 trillion of output, supported 12.3 million jobs, and created \$418 billion in personal earnings. That represents almost 9 percent of overall employment in this country, and in my State that percentage is even higher.

Having a strong aviation sector requires a strong FAA that guarantees safety for all users. The FAA must ensure the safety of every flight, of every airplane part, and of the system overall. That requires a well-trained and fully staffed workforce of safety inspectors and air traffic controllers, and modern equipment.

As I review the current status of the FAA and the agency's financial needs, I am sorry to say this Department deserves a much better budget. It also needs strong leadership and closer attention from this Congress.

The Bush administration is seeking to cut the FAA by more than \$560 million, almost 4 percent in direct appropriations. When you include all of the proposed funding rescissions in the President's budget, that cut rises to \$937 million or 6.8 percent. The biggest cut proposed by the administration is a whopping \$750 million cut in capital investment in our Nation's airports.

We know that passenger boardings are expected to grow by 60 percent over the next 15 years. That means we should be investing more. But instead, the Bush administration wants to cut our support for America's airports.

Mr. Chairman, thanks to your leadership, we have rejected cuts in airport capital investments in the past but we have not been successful in fending off all cuts within the FAA's budget, such as cuts to modernize our outdated air traffic control system.

This year the Bush administration seeks to cut modernization by \$50 million, and that comes on top of much larger cuts in prior years. If we accept the President's level for air traffic control modernization, we will have cut modernization by \$518 million, or 17 percent, in just the last 5 years.

I must confess to being enormously frustrated with the way this administration has handled the FAA and its budget needs. My frustration stems in part from the administration's effort to play a continuing game of hide the ball when it comes to the budgetary realities of this agency.

For the last several months, I have been asking for very simple answers to some very simple questions. It was not until this subcommittee actually scheduled hearings with the Transportation Secretary and the FAA Administrator that we have been able to get any answers. And then the Secretary's answers have contradicted the administrator's answers.

For example, I have been asking, of the hundreds of aircraft safety inspectors that are expected to retire this year, how many will the agency be able to hire to fill those vacancies? Those safety in-

spectors represent some of the most critical air safety positions in the entire agency.

We have received numerous reports from the Inspector General and the Government Accountability Office that we need more inspectors and better training because more domestic airlines are doing their aircraft maintenance overseas. It is a sad fact of life that at the present the FAA does not even have the manpower or ability to inspect some of the facilities that are conducting these critical maintenance activities.

When I asked this question of Secretary Mineta back on March 16, he told me the Department was going to be in a position to hire the 238 safety inspectors that we called for in our appropriations bill. But just this past Friday the Administrator told us to expect about 30 percent fewer inspectors to be hired.

So with all the requirements placed on our flight safety inspectors, their number will still be well below the level the Agency had back in 2003.

Similarly, for months I have been asking how many air traffic controllers the FAA will be able to hire to make up for the hundreds of controllers that are expected to retire this year. Here again the Secretary gave me one number, the Administrator gave me another. The Secretary told me he would be funding the 1,249 controllers that were called for last year. The Administrator is now telling me that we should only expect 930.

These disconnects highlight my concern that the administration does not have a real plan for dealing with the looming retirement crisis both in the inspector and controller workforce.

Back in December 2004, the FAA released this multi-year controller staffing plan. At the time, the FAA assured us that this plan would be renewed annually and updated for market conditions and actual retirements. We were assured this plan would not be ignored by OMB and would not grow dusty sitting on a shelf. We were told the administration was committed to updating the plan every year and funding it.

Well, now it is May 2006. The annual update for this plan was due more than 6 months ago and we still do not have it. The absence of this plan cannot be blamed on the fact that the FAA and the controllers do not have a contract. That should not influence this plan. To me, it is simply inexcusable that this critical safety plan is being ignored.

The fact that the agency cannot afford to hire enough inspectors or controllers does not come as a complete surprise to me. There are a number of funding shortfalls that undermine the FAA's ability to hire enough staff. A small part of the problem is that Congress approved a larger pay raise than the agency budgeted for.

A much larger part of the problem is that despite my efforts and the efforts of several other Senators, the Congress imposed a 1 percent across-the-board cut on all agencies, including the FAA's operation accounts. These across-the-board cuts have become some kind of annual ritual and they occur because the Republican budget resolutions impose an unrealistic ceiling on agency funding.

Last year was no different. Despite the fact that the Transportation Treasury Bill included enough funding to hire enough controllers and inspectors at the level called for by our subcommittee,

the Defense Appropriations Bill then cut all accounts by 1 percent. With the large operating account the FAA has, that 1 percent cut had a real impact.

I must commend the FAA Administrator for sounding the alarm on this possibility. She sent me and the other managers of this bill a letter expressing her worry about the potential impact of another across-the-board cut. I was sufficiently concerned that I took to the Senate floor in December to warn my colleagues against imposing an across-the-board cut. I specifically cited the potential impact of this cut on the FAA's ability to hire sufficient safety staff.

In fact, I put Administrator Blakey's letter into the record for all of my colleagues to see. Unfortunately, my speech and the Administrator's letter were not sufficient to spare the FAA from the across-the-board cut. And now we are seeing the results when it comes to critical safety staffing.

So Congress is part of the problem here, but not all of the problem. A large share of the responsibility lies with the way the FAA has failed to manage major procurement projects. The FAA has had a long history of wasting millions and sometimes billions of dollars on mismanaged procurement for which the taxpayer and the flying public have gotten very little or inadequate results.

Recently we received an Inspector General's report indicating that this pattern still persists. The report made clear that the FAA's efforts to modernize its telecommunications infrastructure are way behind schedule and over budget. And I will discuss that in greater detail later.

The IG found that if the FAA had managed these projects effectively it would have saved \$33 million last year in operating funds and more than \$100 million this year. Those operating savings would have been more than enough to fully fund the FAA's controller staffing plan and would have hired enough safety inspectors to get us back to the 2003 level. But because the FAA mismanaged these projects, it never enjoyed the savings and its critical safety needs are now being shortchanged.

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So Mr. Chairman, I believe this agency deserves a better budget, it deserves better leadership from the Secretary on down, it needs better management when it comes to these multimillion dollar procurements, and it needs better attention from this Congress. Only then will the flying public know that this system is truly safe.

I look forward to working with you to achieve all of these objectives. Thank you, Mr. Chairman.

[The statement follows:]

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A small part of the problem is that Congress approved a larger pay raise than the agency budgeted for. A much larger part of the problem is that, despite my efforts, and the efforts of several other Senators, the Congress imposed a 1 percent across-the-board cut on all agencies, including the FAA's operations account.

These across-the-board cuts have become an annual ritual. They occur because the Republican budget resolutions impose an unrealistic ceiling on agency funding. Last year was no different. Despite the fact that the Transportation, Treasury bill included enough funding to hire enough controllers and inspectors at the level called for by our subcommittee, the Defense Appropriations bill then cut all accounts by 1 percent. With the large operating account that the FAA has, that 1 percent cut had a real impact.

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I specifically cited the potential impact of this cut on the FAA's ability to hire sufficient safety staff. In fact, I put Administrator Blakey's letter into the record for all my colleagues to see. Unfortunately, my speech and the Administrator's letter were not sufficient to spare the FAA from this across-the-board cut. Now, we are seeing the results when it comes to critical safety staffing.

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Recently, we received an Inspector General's report indicating that this pattern still persists. The report made clear that the FAA's efforts to modernize its telecommunications infrastructure are way behind schedule and over budget. I will discuss this in greater detail later.

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So in summary, Mr. Chairman, I believe this agency deserves a better budget, it deserves better leadership from the Secretary on down, it needs better management when it comes to these multi-million dollar procurements, and it needs better attention from this Congress. Only then will the flying public know that the system is truly safe. I look forward to working with you to try to achieve all of these objectives.

Senator BOND. Thank you very much for your candid comments, Senator Murray.

I will see if our other colleagues have brief opening statements. Senator Bennett.

Senator BENNETT. I do not, Mr. Chairman.

Senator BOND. Senator Burns.

Senator BURNS. No, sir. Proceed.

STATEMENT OF SENATOR BYRON L. DORGAN

Senator BOND. Senator Dorgan.

Senator DORGAN. Mr. Chairman, I will be very brief.

I wanted to mention, we have an Energy Committee hearing that I have to attend, but to Administrator Blakey, we have an issue in Bismarck, North Dakota with respect to the movement of the radar.

As you know, the original FAA plan was to purchase the ASR-11 radar in 2003 and deploy it by 2006. As a result of that, Bismarck took a number of actions. We have a blind spot in the radar in Bismarck that was to be updated with the ASR-11 order.

They also took action to begin developing the Northern Plains Commerce Center, which has an impact on the radar. And so they took action expecting that radar to be deployed by 2006.

Now we are stuck and that has slipped. I would like to continue to work with you and your staff to find a way to solve the peculiar problem that exists in Bismarck.

Let me mention one other point, if I might. I am concerned about this issue of the air traffic controller situation and the contract dispute. I know that you have sent it to the Congress on April 5. If no action is taken then you impose your own set of circumstances.

I do not like the way that is set up. I know that is set up in law, but I also know they have indicated they want to come back and continue to negotiate on the three items that you said were at an impasse.

I want a good air traffic control system. I want the controllers to be fairly paid, and I want them to be professional, and I want that system to work well. I think the American people do as well.

I would much prefer to see a circumstance that it go to binding arbitration with a good panel to take a look at it.

But however this ends up, I think the current circumstance is pretty well stacked against the controllers. I expect Congress will likely not take action. I expect there is plenty of energy here to block action. So the result is you will end up simply imposing your decision to begin cutting salaries. And that troubles me a great deal. I do not think that is the way we are going to end up with a good system.

So Administrator Blakey, I want you to succeed in your job. But I wanted to mention both of these issues, both of which I am concerned about.

Senator BOND. Thank you very much, Senator Dorgan. As I understand it, the FAA recommendation is a generous increase in salaries and not a cut, but we will allow the Administrator to make her opening comments.

And then I am going to turn to my ranking member for her questions because she has to go to the floor and I will allow her to ask her—

Senator MURRAY. I am happy to have you go first on questions and I can go second.

Senator BOND. No, no, I want you to get your questions out there first.

Senator MURRAY. He wants the supplemental out on the floor.

STATEMENT OF HON. MARION C. BLAKEY

Senator BOND. Madame Administrator, thank you.

Ms. BLAKEY. Thank you.

Chairman Bond, Senator Murray, Senator Dorgan, Senator Bennett, Chairman Burns of our Aviation Subcommittee, I am delighted to see all of you this morning. And thank you very much for the opportunity this represents to talk about the FAA's fiscal year 2007 budget request.

You are absolutely right, Mr. Chairman, the aviation industry is facing numerous challenges at this time and we strive to maximize our resources so that we can continue to operate and maintain the

very safest and most efficient air transportation system in the world. And we are very proud of doing that.

SAFETY

Our safety record is impressive by any standards. In terms of sheer numbers alone, over 2 billion passengers have traveled on our system over the last 3 years. That is seven times the population of this great Nation.

In fact, the fatal accident rate is at an all-time low. It is the diligence of the entire aviation community and the oversight of committees such as this one that make all of this possible. Our pilots, flight attendants, mechanics, inspectors, controllers, engineers, technicians, they all have contributed to this really phenomenal achievement.

The President's \$13.7 billion budget for 2007 addresses our needs. About 70 percent of that money goes to maintain and advance the safety of the system. You will also be pleased to know that the vast majority of our capital investment programs are on track and on budget. I sense we need to do a better job communicating with this committee about recent achievements on that front and we will do so. We are running the FAA much more like a business and we are seeing real results.

PROMISING TECHNOLOGY

Our 2007 budget provides significant increases for two promising technologies that will serve as critical platforms for the next generation air transportation system, Automatic Dependence Surveillance Broadcast or ADS-B, and Systemwide Information Management or SWIM.

The capabilities of ADS-B have already been demonstrated in the field. It provides the automatic broadcast of aircraft position, altitude, velocity and enhanced visibility not just of aircraft but of vehicular traffic, for pilots and air traffic controllers alike. It also uses GPS, which further reduces our reliance on ground-based infrastructure.

Another innovative program is our Systemwide Information Management, SWIM for short. In essence, we are creating an aviation Internet to move information within the FAA and to other Government agencies faster, better, cheaper. Much like the world wide web revolutionized American commerce, SWIM lays the aviation information superhighway. It is going to lead to dramatic improvements in air transportation safety, security and capacity.

AVIATION TRUST FUND

However, just as the chairman has noted, the FAA must remain focused on a much larger issue, and that is the Aviation Trust Fund. It is a constant reminder that unless we address this challenge and provide the Agency with a funding mechanism that is both reliable and consistent we will be unable to meet the needs of the flying public.

Simply put, we need a funding stream that is linked directly to the actual cost of what it takes the Federal Government to serve the business of aviation. Right now we are tied to the Airport and

Airway Trust Fund. The Trust Fund receives revenue from aviation excise taxes, including a domestic segment tax, an international passenger tax, and commercial and general aviation fuel taxes.

But the primary source of income for the FAA's operations and capital accounts is a 7.5 percent tax on the price of commercial airline tickets. Obviously, with the advent of the low-cost carriers, low-cost tickets are great for all of us. But the price of those tickets has fallen dramatically. Competition has increased. And our revenue stream has suffered.

At the same time, we see rising passenger levels and more planes in the sky as airlines fly a greater number of smaller jets and the workload of the FAA will go up accordingly. Our costs go up without a corresponding boost in revenues.

As I have said before, we might as well tie our funding to the price of a gallon of milk.

The taxes that fuel the Trust Fund will expire on September 30, 2007. That may sound a bit of a way off at this point but history shows otherwise. Secretary Mineta and I continue to place a very high priority on finalizing our proposal. It is undergoing review right now at the most senior levels of the administration and I am confident resolution is just around the corner.

MORE LIKE A BUSINESS

As you know, in striving to operate more like a business, we are constantly pushing to stretch our resources. Our business plans mirror the industry we serve. We have reorganized our entire air traffic services organization, cutting multiple levels of senior management, reducing our executive ranks by 20 percent. We have streamlined operations, eliminating and consolidating administrative staffs and support functions.

Perhaps the single greatest impetus to operate like a business is our need to design, deploy and pay for the next generation system. Our existing infrastructure will not be able to handle the doubling or even potentially tripling of traffic that we know is coming.

Under the leadership of Secretary Mineta, we are building a plan for the future system with four Cabinet-level agencies all combining their expertise. Unless a consistent and cost-based revenue stream is established to pay for it, this effort will likely be for naught. As it is, the agency is headed toward a balancing act among competing resources. Do we cut back on air traffic services? Do we slow the course of modernization? Do certification efforts for new aircraft take a slow roll? Those are choices none of us want to make.

NATIONAL AIR TRAFFIC CONTROLLERS ASSOCIATION

Now I would be remiss if I did not mention one of the largest issues on our plate currently, and that is our contract with the National Air Traffic Controllers Association, NATCA. Over 9 months of negotiation, including 4 weeks of mediation, the controllers union consistently refused to offer meaningful changes in the current pay structure to address the long-term affordability of their contract. Our proposal protects the existing workforce. It grandfathers the salaries and benefits of controllers already on board and preserves 82 percent of their premium pay, on average.

We also bring the salaries of new controllers into line with other employees of the agency, reversing a trend that under the current contract has caused the pay differential to more than double.

At the end of 2005, the average compensation package for our existing controllers, salary plus premium and benefits, is about \$166,000 a year. Our proposal? Our proposal pushes that to \$187,000 by the end of the agreement.

New hires in training start at an average of just under \$37,000 in base and locality pay, but get to over \$93,000 with premiums in 5 years. Quite a generous pay package by anyone's standards.

In 1996 Congress put in place the law that requires any contract impasse to be sent to the Hill before the agency can implement its proposal. As much as we did not want to do that, when NATCA refused to address the core issues our proposal was sent to Congress for a 60-day review. Unless Congress chooses to act, on June 5 we will be in a position to implement our proposal.

As I have said before, we cannot and will not sign a contract we simply cannot afford.

In closing, with the broad scope of the issues that face the agency, the Trust Fund, modernizing the system, safety, the new contract for our controllers, it is clear that the FAA must continue to find new ways operate more like a business.

PREPARED STATEMENT

You have my firm commitment that we will continue to deliver the world's safest and most efficient form of transportation while doing so.

Thank you very much.
[The statement follows:]

PREPARED STATEMENT OF MARION C. BLAKEY

Chairman Bond, Senator Murray, members of the subcommittee, it is my pleasure to appear before you on behalf of the men and women of the Federal Aviation Administration (FAA) on our fiscal year 2007 budget request. Before discussing the request and the agency's short-term needs, I would like to highlight briefly our efforts to ensure the agency's long-term financial viability.

The FAA's long-term financial outlook depends largely on the Airport and Airway Trust Fund (AATF or Trust Fund). Each year, the FAA receives appropriations drawn from the Trust Fund and from the General Fund. This year, about 82 percent of FAA's total budget will come from the Trust Fund and 18 percent from the General Fund. The Trust Fund receives revenues from several aviation excise taxes—including a domestic segment tax, an international passenger tax, and commercial and general aviation fuel taxes. However, the primary source of income for the Trust Fund is a 7.5 percent tax on the price of commercial airline tickets. While the sharp decline in airline ticket prices has been good news for consumers over the last several years, it has made the Trust Fund vulnerable due to its heavy reliance on the ticket tax. At the same time, FAA's workload and operating costs continue to rise due primarily to operational changes in the aviation industry. These changes include the increased use of smaller regional jets and business jets, both of which generate less revenue per flight for the Trust Fund than larger airline jets. Consequently, there is currently no nexus between the workload of providing air traffic services and how they are funded.

In recent years, appropriations from the Trust Fund have been funded not only from the annual revenue and interest going into the Trust Fund, but also from drawing down the uncommitted balance of the Trust Fund, which was over \$7 billion in 2001. In fiscal year 2005, the uncommitted balance of the Trust Fund was \$1.9 billion and the President's fiscal year 2007 budget projects that it will dip to about \$1.7 billion at the end of this fiscal year, less than 2 months of FAA spending at our current rate.

As you know, all the taxes that go to the Trust Fund will expire on September 30, 2007. During the past year, we have worked closely with our stakeholder community to explore other financing alternatives. Under Secretary Mineta's leadership, we conducted a broad outreach to the aviation community to explore funding options that would be in the long-term best interest of the traveling public, the aviation industry, and the FAA. In my view the comments we received have greatly informed our decision-making. I look forward to discussing the specifics of the administration's funding proposal as soon as it is finalized.

As I've often stated over the past year during our outreach, our belief in the need for funding reform for the FAA is not fundamentally about generating more money for the FAA. It is about creating a stable and predictable funding system that provides appropriate incentives to users and to the FAA to operate more efficiently and facilitating modernization of the aviation system on a more rational, equitable, and predictable basis.

PERFORMING LIKE A BUSINESS IN FISCAL YEAR 2007

The FAA operates 24 hours a day, 7 days a week, 365 days a year. We run a multi-billion dollar air traffic control system that in fiscal year 2005 served 739 million passengers and over 39 billion cargo revenue ton miles of freight. We operate and maintain a system comprised of more than 70,000 facilities and pieces of equipment. There are FAA-operated or contract towers at 500 airports, and we are also responsible for inspection and certification of about 220,000 aircraft and 610,000 pilots. We have some 43,000 dedicated government employees working to serve the traveling public and the businesses that depend on a reliable air transportation system.

When Congress mandated the FAA to realign its operations and manage more like a business, we rose to the challenge. The FAA's efforts over the past 3 years have paid real dividends, not just to the flying public but to the taxpayer as well. By implementing improved management tools, including better cost accounting systems and instituting a pay-for-performance program, we have made more efficient use of our resources. The tangible results are reflected in our fiscal year 2007 budget request of \$13.7 billion. This is a reduction of \$561 million, or 4 percent less than the fiscal year 2006 enacted level. The request upholds our commitments to increase the safety, capacity, and efficiency of the national aviation system.

The fiscal year 2007 budget provides \$8.4 billion for our Operations account and reflects the FAA's rising labor costs and aviation industry challenges. Most of the funds requested for FAA operations in fiscal year 2007 support our paramount goal of maintaining and increasing aviation safety. It also reflects our continuing efforts to control our operating costs while maintaining the safest aviation system in the world.

CONTROLLING COSTS

Our business and budget planning activities are more closely aligned than ever, and they both include explicit cost savings initiatives. Each organization must include at least one cost reduction activity in its annual business plan, which is then reviewed by the management board monthly for progress. These identified cost savings and avoidance initiatives are integral to FAA's strategy to absorb budget shortfalls (e.g., unfunded pay raises and rescissions).

The agency's emphasis on bottom-line results has not been easy. The FAA has slashed costs where possible and slowed the rate of growth of our labor costs through productivity improvements and reducing overhead, as well as reducing management layers. We also continue to apply effective management and financial principles to our labor negotiations. The simple fact of the matter is that we cannot and will not sign a contract the taxpayer cannot afford. As you know, we are at an impasse with NATCA, the union representing our controller workforce. Since 1998, the first year of the current NATCA contract, the increasing imbalance in compensation between NATCA and the rest of the agency has cost the taxpayer a total of \$1.8 billion. Neither the FAA nor the taxpayer can afford a repeat performance.

The FAA and NATCA began negotiations to replace the current agreement in July 2005. Despite extensive negotiation over 9 months, including 4 weeks of mediation with the Federal Mediation and Conciliation Service, we failed to reach agreement on several of the key proposed articles affecting compensation, benefits, and work rules. Therefore, as required by law, we transmitted our proposal, along with NATCA's proposals and objections, to Congress on April 5, 2006.

Long-term affordable pay structures are only a part of the equation. In addition, we are taking steps to achieve savings of 10 percent by fiscal year 2010 in controller staff costs through productivity improvements. We achieved the first 3 percent of

this goal in fiscal year 2005 which avoided about \$23 million in costs last year. This fiscal year and in fiscal year 2007, we project a minimum of a 2 percent productivity improvement each year.

In December 2004, the Agency submitted our Air Traffic Controller Workforce Plan to Congress. We are updating the Plan, which will be released soon. This plan provides a comprehensive 10-year strategy to make sure we have the right number of controllers in place at the right time to address the controller retirement bubble. Our funding request of \$18.2 million is consistent with the targets being developed for the updated staffing plan and will enable us to meet the future needs of the National Airspace System.

A-76 COMPETITION

This year, we completed the largest non-military A-76 competition in Federal Government and will see the first installment of cost savings—\$66 million—in fiscal year 2007. The Agency's network of automated flight service stations, which provide weather guidance and other assistance to the pilots of small airplanes, will be reduced from 58 to 20. The contract not only saves money, it also commits the vendor to modernize and improve the flight services we provide to general aviation pilots. In addition, the employees who left Federal service as a result of this transition were given offers to work for Lockheed Martin, the successful bidder of the contract.

PRIORITIZING FACILITIES AND EQUIPMENT (F&E) NEEDS

We are requesting \$2.5 billion for F&E to improve and modernize the airspace system. We are also scrutinizing our capital investments, revisiting business cases, and eliminating programs whose benefits no longer justify the costs. We are increasing our emphasis on programs that will save the agency money.

We are making similar inroads with equipment. In fiscal year 2005, we removed 177 obsolete navigation aids from service, which saved the taxpayer about \$2.7 million. This year, we plan to remove 100 more, followed by another 100 in 2007. We are taking steps to save wherever possible. The removal of these land-based navigation aids is consistent with our long-term goal of transitioning to satellite-based navigation.

KEEPING PACE WITH TODAY'S CHALLENGES

Our resources and activities are closely linked with the dynamic industry we oversee and serve. The pace and depth of change in aviation is unparalleled. Business models evolve as rapidly as the technology changes: markets once dominated by wide body aircraft are now giving way to smaller jets. Entrepreneurs now are marketing microjets, which may one day become the "personal taxi" of the sky. Fractional ownership is making it easier for businesses to own and operate aircraft.

Although our recent forecasts show a decline in operations from last year to this year, air travel now exceeds pre-September 11 levels and remains on track to carry more than 1 billion passengers by fiscal year 2015. Even with the financial shake-up in the airline industry, all major forecasts project the long-term demand for air travel will outstrip existing capacity. After a temporary drop this year in projected operations at airports with FAA or contract towers, we forecast an average annual growth of 2 percent in terminal and a 3 percent growth for en route/oceanic operations from 2005-2017.

ENSURING A PATHWAY TO THE FUTURE

The future portends a wide range of aircraft with divergent infrastructure, air traffic management, regulatory, and procedural requirements. We must be prepared to support a system that includes the Airbus Double Decker A380 and the microjet (and everything in between). We must be able to support airlines, large and small, national and regional. Recognizing that aviation represents about 9 percent of the U.S. Gross Domestic Product, we must provide this infrastructure in time to keep the Nation's economy growing while controlling the costs of that system.

We are laying the foundation for our future with a commitment to increasing the system's capacity to accommodate the air transportation system's predicted growth. We will meet these future needs by harvesting new technologies that will support the Integrated National Plan for the Next Generation Air Transportation System (NGATS). This plan, submitted to Congress in December 2004, brings together four cabinet-level agencies and NASA in the Joint Planning and Development Office (JPDO) to eliminate duplication and wasted resources. The plan is a road map that will leverage Federal funds and allow us to provide the national aviation system that can handle the safety, capacity and security needs of the future. For the FAA,

the plan will drive discussions about the: (1) size, role, and training needs of our workforce; (2) number of facilities maintained by the FAA; (3) transition from ground-based to satellite-based systems; and (4) redesign of airspace. For the FAA, the plan is already being incorporated into our budget. Specifically, the 2007 budget supports two cornerstones to the next generation air transportation system and begins to build this new infrastructure by committing to Automatic Dependent Surveillance Broadcast (ADS-B) and System Wide Information Management (SWIM).

The budget requests \$80 million for ADS-B—a technology that has already provided benefits in the field. ADS-B provides: (1) automatic broadcast of aircraft position, altitude, velocity, and other data; (2) enhanced “visibility” of aircraft and vehicle traffic for pilots and air traffic controllers; and (3) use of Global Positioning Systems, allowing us to reduce our reliance on ground-based infrastructure. Implementation of ADS-B throughout the national airspace system will reduce infrastructure costs, increase capacity and can have significant safety benefits as shown in the Alaska context, where this technology has already been fielded as part of a demonstration project. Some safety improvements result because ADS-B provides more complete coverage in remote and mountainous terrain than traditional radar-based surveillance systems.

The backbone for the future system is an information network that can provide better data to more decision-makers—whether it be the controller, the pilot or the other agencies dealing with security or national defense. The FAA’s request of \$24 million for SWIM will begin to make these advanced information distribution and sharing capabilities possible. Every year, FAA builds applications for air traffic management systems that require unique interfaces between the new application and existing systems. SWIM will replace those unique interfaces with a reusable interface and provide many operational benefits (e.g., common situational awareness, standardized information security, and more cost-effective security implementation).

FLIGHT PLAN 2006–2010

One of the major reasons we are confident in our stewardship of the FAA is our Flight Plan. The Flight Plan is FAA’s rolling 5-year strategic plan that we first undertook in 2004. As scheduled, we updated it last fall, with input from our internal and external stakeholders. The Flight Plan is organized around the agency’s primary goals: increased safety; greater capacity; increased U.S. international leadership; and organizational excellence. It is our blueprint for managing the agency. It serves to focus our efforts on what is most important to our stakeholders.

The plan has made the FAA more businesslike, more performance-based, more customer-centered and more accountable. It is dynamic, adaptable, and cost-driven. Most “strategic plans” are distinguished only by their place on a dusty bookshelf. Our Flight Plan is costed out and contains specific measures and targets that we track monthly at the most senior levels of our agency. It has become our marching order toward success. Our goal is to become more accountable to the taxpayer, and we work hard every day to reach it.

As part of our Flight Plan, each FAA organization now has its own individual business plan. Each of these plans is linked to the Flight Plan, budgeted and tied to what the customers need. The agency’s business plan goals have been built into a performance-based tracking system that are posted to the FAA website each quarter. It lists each of the agency’s goals, performance targets, who is responsible, and the status of each. Using this data, the senior management team conducts a monthly review of our performance. When used with other cost and performance data, the Flight Plan information clearly and precisely identifies the effectiveness of a program across the entire agency. With this perspective, the agency is able to capitalize on successful strategies. Let me address our performance and budget requests under each of our goals.

INCREASED SAFETY

As I noted earlier, safety remains our No. 1 priority and our No. 1 success story, with the trends in both commercial and general aviation showing consistent improvement. The safety record we have achieved for air carriers is a remarkable accomplishment, which our entire workforce—inspectors, engineers, technicians, and controllers—shares with the broad aviation community. Over the past 4 years, 3 billion people have traveled safely in the air transportation system—that’s 10 times the population of the United States.

Safety is not only a top public interest priority, it is also an economic necessity. People fly only if they feel safe. They must trust the system and their trust must

be upheld. Although commercial aviation is in the safest 3-year period in transportation history, safety requires more than no accidents.

The fiscal year 2007 budget reflects the agency's steadfast commitment to safety. Out of a total request of \$13.7 billion, about 70 percent, or \$9.6 billion, will contribute to our efforts to improve our already historic safety record. This includes further progress in reducing commercial and general aviation fatality accidents, and the number of runway incursions and HAZMAT incidents. Our overarching goal is to constantly improve aviation safety.

To increase aviation safety oversight commensurate with expanding activity and the introduction of new aviation equipment and business practices, the budget requests \$18.5 million for additional staff and technical training. Within this total, \$8 million is requested to add 101 aviation safety inspectors to strengthen our safety oversight of the aviation industry. The request also funds 32 additional positions for the Air Traffic Safety Oversight office—a recently established office under the Associate Administrator for Aviation Safety with the responsibility for providing an independent safety oversight and review of the Air Traffic Organization (ATO) operations.

Our efforts to run the FAA in the most effective and efficient manner are further reflected in our NAS Plan Handoff Program. Under this program, we transition capital assets from their deployment under the Facilities and Equipment (F&E) appropriation to operation and maintenance under the Operations appropriation, in accordance with generally accepted accounting principles (GAAP). Full funding for NAS Plan Handoff in our Operations appropriation allows us to provide for the operations, maintenance, and training for these new capital assets, and addresses congressional and GAO criticisms about covering the operating costs for new systems in F&E for an indefinite period.

INCREASING CAPACITY

While safety is our primary concern, our mission includes expanding capacity throughout the aviation system—both in the air and on the ground. The fiscal year 2007 budget requests \$3.1 billion to expand capacity and improve mobility. This request supports expansion of capacity on the ground with new runways, as well as the continued deployment of new technologies for increasing the efficiency of the existing system.

Beginning in fiscal year 2005, FAA worked with our industry and government partners to deliver two key technologies: Domestic Reduced Vertical Separation Minimum (DRVSM) and Advanced Technologies and Oceanic Procedures (ATOP). DRVSM alone, by increasing en route capacity and the ability to avoid severe weather, is expected to result in savings for the airlines that could reach \$5 billion through 2016. These two technologies helped operators participate in reduced separation standards and will allow them to fly more aircraft in a given airspace and the most fuel-efficient route safely.

FAA continues to develop criteria and guidance materials that will be used for new area navigation (RNAV) and required navigation performance (RNP) routes and procedures. Use of RNP permits greater flexibility and standardizes airspace performance requirements. By adopting RNAV and RNP and leveraging existing and emerging cockpit capabilities, the FAA in collaboration with the aviation community will be able to improve airspace and procedures design, leading to increased capacity and improved efficiency.

The fiscal year 2007 budget also includes \$375.7 million to continue the En Route Automation Modernization (ERAM) initiative. This is a critical program that replaces obsolete hardware and software of the main host computer system that is the backbone of en route air traffic operations. The most significant ERAM benefits are improved efficiency, capacity, and safety by providing controllers with newer, faster, and more capable technology to manage the continuing growth in air traffic. The modern en route automation system will also accommodate the development of functions that are expected to provide significant savings to users through more fuel efficient routes, reduced flight times and delays, and increased controller productivity.

In today's challenging budget environment, we have been forced to take a long hard look at all of our funding requirements. Our fiscal year 2007 budget request for Grants-in-Aid to Airports is \$2.75 billion, which is lower than recent authorized and enacted levels. Nevertheless, under our proposed budget, FAA will be able to support all high priority safety, capacity, security and environmental projects. There will be adequate funds to meet all current and anticipated Letter of Intent (LOI) commitments, which relate to high priority, multiyear projects within the national system. The President's fiscal year 2007 budget includes support of major capacity projects such as the Chicago O'Hare redesign, a new runway at Washington Dulles

International Airport and major projects at Atlanta-Hartsfield International. We will also be able to fund projects to meet the FAA's Flight Plan goal for improving runway safety areas (RSAs), help airports obtain security equipment and facilities required to meet their Transportation Security Administration (TSA) security requirements, and continue work on phased projects.

INTERNATIONAL LEADERSHIP

Today, the FAA has operational responsibility for about half of the world's air traffic. We certify nearly three-quarters of the world's large jet aircraft. We have provided assistance to more than 100 countries to help them to improve their aviation systems. Safety may be our most important export. Even so, we still must become even more globally focused to ensure that U.S. citizens can travel safely around the world. We also must continue to be a catalyst for the harmonized implementation of safety and capacity enhancing technology around the world. The fiscal year 2007 budget requests \$35.5 million to support international leadership and global connectivity.

It is clear the FAA's role in advancing the international leadership of the United States in aviation goes well beyond the borders of the Far East and Latin America. The numbers and the activity point to the need for a global approach to aviation and we are working to shape that destiny. We are working together with all our key regional partners to identify the next generation of air traffic management technologies and practices. The agency believes that together we can create a road map for the global community. To give us the safety tools that we need, we are working to negotiate and sign Bilateral Aviation Safety Agreements with key countries around the world. These agreements benefit everyone—passengers, the Agency, and the aviation industry. Also, through our efforts with other International Civil Aviation Organization members, we will continue to develop and implement global safety and certification standards to improve efficiency and trade.

ENVIRONMENTAL STEWARDSHIP

As we increase capacity, we've been careful to ensure environmental responsibility. The fiscal year 2007 budget requests \$391.2 million to support environmental stewardship for noise mitigation, fuel efficiency enhancements, and a comprehensive approach to addressing both noise and emissions.

SECURITY

While the U.S. Department of Homeland Security's TSA now has primary responsibility for transportation security, the FAA still retains responsibility for the security of its personnel, facilities, equipment and data. FAA provides financial and other assistance to help airports meet security requirements. Security projects required by statute or regulation carry the highest priority for AIP funding. The agency works closely with TSA and other Federal agencies to support aviation security, transportation security, and other national security matters.

FAA insures the operability of the national airspace system through the facilities, equipment, and personnel of the air traffic control system, which is essential to the rapid recovery of transportation services in the event of a national crisis. The budget request includes \$173 million to continue upgrading and accrediting facilities, procure and implement additional security systems, and upgrade Command and Control Communications equipment to meet the increased national security demands since the September 11 attacks.

ORGANIZATIONAL EXCELLENCE

To fulfill our mission the FAA must become a world-class organization. The agency is committed to finding and eliminating barriers to equity and opportunity. We believe that fairness and diversity fortify our strength. Further, we must give our staff the tools and resources they need to overcome the challenges we face and to become more accountable and cost-efficient. In turn, our employee compensation and salary increases are becoming increasingly performance-based. This allows the agency to pay for results and reward success.

In simple terms, our objectives are to: strategically manage our human capital; improve our financial performance; and control costs while delivering quality customer service. The fiscal year 2007 budget requests \$437 million for organizational excellence initiatives.

In support of the President's Management Agenda (PMA), we're making significant strides in improving our financial management. Over the past several years, we have made increased progress in making cost control a priority throughout FAA.

We have implemented information tools and processes to manage costs and productivity. Last year marked our fifth year of receiving a clean audit from the Department of Transportation's Office of the Inspector General. For the third consecutive year, the FAA has received the Certificate of Excellence in Accountability Reporting. This year we are wrapping up the consolidation of nine separate accounting operations into a single Finance Center located in Oklahoma City, Oklahoma. The benefits we see from this effort include annual cost savings on accounting operations, standardization of accounting practices, and improved quality and timeliness of financial information.

Ongoing improvements in financial performance will focus on providing more timely and accurate financial information used by management to inform decision-making and drive improved results in FAA operations. Planned business process improvements will focus on quicker capitalization of our projects, streamlined processes for managing agency reimbursable agreements, and training and improvement efforts to reduce financial data quality problems.

In particular, the FAA is planning to improve the utilization of information from Delphi, the DOT financial management system. Delphi gives the FAA more accurate financial data and allows the agency to better manage its spending on operations as well as capital investments in assets that will ensure the safety of the airways. To improve operational efficiency in accounting operations, imaging capability for invoices will be added to the Delphi system for fast and efficient payment processing.

Each year, the FAA procures more than \$1.3 billion in contract services. The newly created Office of Financial Controls will implement increased controls over agency procurements. It will ensure that funding used for contract services reflect wise investments, duplication of effort is avoided, and excessive labor rates are not included in contracts. Any procurement request resulting in contract award or increase in the scope of an existing contract, where the total value of the contract or added work exceeds \$10 million, will be thoroughly reviewed by the Office of Financial Controls before it is processed.

CLOSING

In closing, let me assure you that we continue to make difficult choices and take decisive steps to ensure that we manage the taxpayer's investment wisely. We are running more like a business and delivering the world's safest transportation system while doing so. I thank you for your time and look forward to discussing these issues in greater detail.

Senator BOND. Thank you very much, Madame Administrator. And now we turn to Senator Murray for her questions.

Senator MURRAY. Mr. Chairman, thank you so much for accommodating me and I do have a few questions I want to get in before I head to the floor.

AIR TRAFFIC CONTROLLER WORKFORCE PLAN

Administrator Blakey, the FAA, as I said in my opening remarks, published an air traffic controller workforce plan back in December 2004. And at that time you promised in very clear terms that this workforce plan would be updated annually.

It is now May and we have yet to see an update of that annual plan. And if we receive one at all this year it will be at least now 6 months late. How are we to believe that the administration has an updated workforce plan when it is unwilling to release it? And can you tell me why we have not received it yet?

Ms. BLAKEY. Well, there are a couple of things about this. No. 1, it is going to be an annual plan. There is about 4 months' slippage. We had said we would bring one out for this year. And it is in final clearance right now. So there is no issue about providing an annual plan.

What I do think makes sense though is this: as you know, the plan last year was the first time we had done that. And you learn a lot from these things. One of the things that we determined was

that that plan was based on a forecast that now is more than two forecasts back. It is very dated data that was in that plan because of the timing of the way we did it.

Senator MURRAY. Which is why we are waiting for one.

Ms. BLAKEY. Because the annual forecast comes out in March and we have revised the controller staffing plan and all the models based on that. As I say, it is in final clearance. So as you can appreciate, we are talking about a couple of months after the forecast.

We will try to make it closer to March next year but right now you should see it shortly.

Senator MURRAY. When is the date that we will see that then?

Ms. BLAKEY. I do not know an exact date because, again it is in final clearance within the administration. But I think—

Senator MURRAY. Are we talking days or weeks?

Ms. BLAKEY. Something like that, yes.

Senator MURRAY. Not months?

Ms. BLAKEY. I cannot, again, commit other people. But I can tell you that it is certainly a matter of weeks, at most.

Also, as you know, we have provided you a lot of the key data out of the plan. So I do not think there are any surprises there.

AVIATION SAFETY INSPECTORS

Senator MURRAY. In March, Secretary Mineta testified before us that the FAA would be able to hire an additional 238 safety inspectors, in spite of the 1 percent across-the-board cut and in spite of the unfunded pay raise. But last week you told us the FAA would actually be able to hire only 171 inspectors.

If the FAA is going to be hiring 171 additional inspectors this year, your staffing level is going to be below the level we had in 2003. Are you comfortable with that level of staffing?

Ms. BLAKEY. I think it is important to look at the way we are approaching this because, as you know, you pointed out yourself, that we were handed a 1 percent across-the-board rescission in December, well after all those figures were developed and planned. Plus, of course, the unfunded pay raise.

It is important to look at how much money was involved there because the rescission itself was overall for the FAA \$144 million. The unfunded pay raise was not a small thing. It was \$37.9 million, almost \$38 million, and it resulted in a shortfall of \$182 million.

Now we have been scrambling since that occurred. And again, that was at the end of year on the rescission, to try to figure out: Are there any ways that we can reallocate funds and we can try to address what is clearly a shortfall?

There are no if, ands or buts about it. This does not surprise anyone. We would love to have made that 238 figure, if we could have. And we tried very hard. But the best we could do was to ask you all, and the request is now coming up to you, the Secretary has just signed off on this, that we have reprogrammed or are requesting to reprogram monies from all of our other small staff offices. And we are using the authority that you all have granted us for unobligated funds from previous years, which would give us the ability to pull the number up to 171 for this year.

Senator MURRAY. Let me ask you that again. I know all the reasons why. But as Administrator of the FAA, are you comfortable with the staffing of safety inspectors for the flying public?

Ms. BLAKEY. You will see, again, that we are requesting more for 2007. And that certainly tells all of us, we need more safety inspectors.

Senator MURRAY. So I take it your answer is no?

Ms. BLAKEY. I am simply saying there is a very strong reason we are going to continue to increase the safety inspector ranks. And a lot of that is the dynamic that we see growth in a number of key areas that are really coming at us and we have to address that.

Senator MURRAY. The DOT IG testified earlier to us this year that the staffing gains over the next couple of years are unlikely to offset the number of safety inspectors that are eligible to retire. By 2010, in fact, half of the inspector workforce is going to be eligible for retirement.

You claim you have a comprehensive staffing plan to handle the retirements of air traffic controllers, even though we have not seen it yet. I wanted to know if you have a similarly comprehensive plan to handle the retirements among inspectors? And is OMB committed to funding that?

Ms. BLAKEY. OMB has been very responsive and cooperative on the issue of our safety inspectors and that workforce, the manager of our safety programs has a very exact idea about how many we need to hire of what. So we have those figures. We have it on paper.

It is not a large published plan in the same way that the controller staffing plan is. But we can make it a more formal document if that would be helpful to this committee.

Senator MURRAY. I think we need that information.

Ms. BLAKEY. Absolutely. We have the information and we can turn it into a formal plan if that would be helpful.

FAA TELECOMMUNICATIONS INFRASTRUCTURE (FTI)

Senator MURRAY. Okay. And you mentioned in your opening statement the replacement of the telecommunications infrastructure, and that you needed to update us. I want to give that opportunity.

Because as I said in my opening statement, that program was supposed to achieve hundreds of millions of dollars in savings that would have helped us with much of the current situation. And at the start of the program in 1999 it was supposed to cost \$1.9 billion. We are now being told it is going to be 27 percent higher than that at \$2.4 billion. And the DOT IG has told us it is going to cost even more. So we are not going to receive any savings on this in the foreseeable future, as I can see it.

What can you tell us to give us your personal assurance that we are not going to continue to see this story?

Ms. BLAKEY. The FTI contract, which is the capital investment program that you are referring to, of course, is the notable exception to the success we are having across the board in staying on schedule and on budget on all of our major capital investment projects. So I would point that out.

That said, it is a contract to convert all of the FAA's legacy telecommunications networks to a network that is based on a service rather than an owned and operated business and pull it all into one unified system.

It is a major logistics challenge, I will be straight up about this. And it has proven challenging to us.

Now, we have put in place a recovery plan that we are seeing good results on. It still has a way to go. I will not make any bones about that. And I am as disappointed as anyone that we are not going to be seeing the cost savings over the existing contract that we had hoped and expected to this year. But that is what we are talking about here. We are talking about savings over the existing contract. These are savings that are deferred.

What we are doing at this point is putting in place new metrics to start measuring all four stages. This is just as the IG has requested that we do. You referenced the fact that the IG has just brought out a report with recommendations. I think they are very good recommendations. They have given us very good advice on ways to more precisely track and measure the exact progress we are making on all four stages of the implementation.

We were looking at it initially on the first stage, and I think we need to track all four in a master plan that we are putting in place.

Senator MURRAY. You will probably get asked about this again. If you could get us really solid information, so we can see that we are not going to continue to see the same line going up on that, I would appreciate it.

Ms. BLAKEY. We will work very hard. As I say, this is a challenging contract. But we are working very hard to hit the numbers.

MORE LIKE A BUSINESS

Senator MURRAY. Let me ask you, in your testimony you said that you are operating more like a business in part because you have instituted a pay-for-performance program. And you have also proposed eliminating automatic pay raises for air traffic controllers, arguing that their pay increases should depend on performance on their job.

Last year, however, the FAA awarded performance bonuses to 11 senior employees based, in part, on their work on this FTI program. These bonuses were awarded at the same time the program was falling behind schedule and racking up costs. Can you explain why you gave these executives performance bonuses for deficient work product?

Ms. BLAKEY. Well No. 1, the bonuses that were there were only in part, only 15 percent, related to the FTI contract. As I mentioned before, we are hitting our numbers on our major acquisition projects, which these executives are responsible for as well. There are a number of major capital investment programs that I am very proud, such as ERAM, that are absolutely on track and on schedule. So the bonuses are related to a much larger body of work than FTI.

I also would point out that the contract initially was set up in tracking metrics on site acceptances. That is the very first stage of four stages of the FTI program. In that regard, we put in place a

recovery plan. And as of August 2005, we really began hitting our numbers on that.

Now, I do not think that is the key metric. What we have done, because I think the issue of performance in regard to the FTI contract, needs to be measured on all four aspects: site acceptance, service acceptance, when you actually cut over to the FTI network, and when you disconnect the legacy system. So all four of those benchmarks, if you will, are now built in to these executives' performance for this year.

NATCA

Senator MURRAY. Let me ask one final question here.

The negotiations with NATCA has been mentioned several times here, and I believe that Congress should not be the venue for settling these kinds of contracts. But my objections do not change the fact that if Congress does not act to reverse your action in the next few weeks, your proposal for the final contract will be automatically put in place.

That, in fact, will be the second time the FAA will have succeeded in resolving a dispute by those means, and I am concerned that we see a pattern emerging here where if the FAA does not get what it wants at the bargaining table it just submits it to Congress and counts on us not acting.

FAA negotiates with 43 different bargaining units and many of these employees do not make six-figure salaries. Can you tell us, are we going to expect to see all of our future labor negotiations handled this way?

Ms. BLAKEY. I certainly hope not. It is one reason why I feel so strongly that it is important that the mechanism that Congress rightly put in law for how an issue of this sort is resolved is one that Congress and all of us involved see through because it is an important way to balance what is an extraordinarily unusual privilege in government, and that is that the FAA is virtually unique in negotiating for pay with its employees.

Other Federal agencies throughout the Government all are under the Civil Service or pay systems that involve no opportunity to negotiate for pay.

Senator MURRAY. I assume you can understand that the morale of many of the employees is directly impacted by the fact that—

Ms. BLAKEY. Senator Murray, I would refer you to a couple of things. Our pay scales at the FAA, on average, and I am going beyond the controllers, are somewhere between 8 and 14 percent above market. That is something that is worth being aware of because it is reflected. When we have our employee attitude surveys, 70 percent of the FAA's employees across the board are very satisfied with their pay.

Senator MURRAY. I appreciate the remarks and I do have other questions I would like to submit for the record. Mr. Chairman, thank you so much for accommodating me so I can get to the floor. And thank you, Administrator Blakey.

Senator BOND. Thank you, Senator Murray. We will submit those questions for the record.

Now we will turn to my colleagues; first, Senator Bennett.

Senator BENNETT. Thank you very much, Mr. Chairman.

Madame Administrator, welcome. Thank you for your service.

AVIATION TRUST FUND

I am impressed with your ability to respond to questions and your control of the detail. I have to get nostalgic for just a minute with your conversation about the Aviation Trust Fund, Airport Airway Trust Fund. It was my responsibility, as a member of the team under Secretary Volpe, to convince the Congress to pass the creation of the Airport Airways Trust Fund back in 1969. I was the head of Congressional Relations at the Department of Transportation and that was my first responsibility.

I remember the glee with which Secretary Volpe called Secretary Nixon to tell him that we had succeeded in getting that passed, the first item of President Nixon's must-do list of legislation to pass the Congress. I went to the White House, had got my pen, and my picture taken with the President, and all the rest of it.

Now I come back, basking in that nostalgia, to have you tell me it is not working anymore.

I am perfectly willing to agree that it is not working anymore and the question is: "What are we looking at as a replacement?" You say, in your prepared testimony, that you have reached out to the industry and you are getting suggestions. Can you share with us some of the suggestions? Because I, with that background, and listening to you also, share the idea that the FAA should have a reliable source of funding. That was the whole idea behind setting up the Trust Fund in the first place, not have it subjected to the whims of the appropriations process.

Now that I am an appropriator, I guess I like the appropriations process better than I did. But tell us what avenues you are pursuing as ways to go and places to look for some kind of stability in this situation.

Ms. BLAKEY. The Trust Fund, as you and others set it up, I think very wisely at that point in time, worked very well for a long time. We have to remember that was before deregulation. And I do not think anyone could have anticipated at that point the dramatic changes in the airline industry and the plummeting price of tickets. So tying it to the price of a ticket at that point had a lot of relationship, I think, in those days to traffic volume and a variety of things.

The situation now, I think, that we are faced with is one that virtually all of the stakeholders do acknowledge that the lack of relationship between costs and revenue produces a lack of accountability on both sides. The stakeholders ask for whatever they think they need but there is no issue of really how much it costs and that would affect, therefore, what they are charged and vice versa.

So what I am seeing as the general aviation community, as the airlines, as the manufacturers, cargo folks all come in, is I think a real acknowledgment that we do need reform in terms of the Trust Fund.

Senator BENNETT. I understand all of it. Now where are we looking? You say facetiously it could be tied to the price of a gallon of milk. I am sure you are not looking at that as a way to do this. What specifics are people suggesting to you as a way to go?

Ms. BLAKEY. I think what a number of people are suggesting is this: for parts of the community, a system that takes into account all of the activity in the system, numbers of flights, the usage of the air traffic control system, there are several ways to measure that. But you can run that activity data and you can show the usage of it by individual carrier or by stakeholder group. So there is a way which is done all over the world in a variety of ways to tie it to fees. And a fee-based system can be a part of the answer.

Taxes, fuel taxes are also not as direct a measure of costs. But they work well for the general aviation community. I think there is much more support for fuel taxes coming from that group.

Senator BENNETT. Let me ask you one very parochial question, and this comes up every time we have an FAA Administrator before the subcommittee, so it is not going to surprise any of your staff.

We are looking for an additional ASR radar system in Utah County, just south of Salt Lake County, to cover the blind spot. And we finally convinced the FAA to put one in during the Olympics, when we had a tremendous number of general aviation flights coming in. And because of the horror of having an accident occur in the Olympics, with that kind of traffic, they put one in.

Now I advised them this may be a temporary radar, sink it as deep in concrete as you possibly can and surround it with a high fence. But it has disappeared now and we still need it. There is an increased use of regional jets that you are talking about. Salt Lake International Airport has seen an increase in traffic volume. This is a blind spot that we still need to have filled. And I take advantage of this opportunity to mention it to you once again and ask you to take a look at it.

Ms. BLAKEY. Thank you very much. I certainly will.

Senator BENNETT. Thank you, Mr. Chairman.

Senator BOND. Thank you very much, Senator Bennett.

Now we will turn to Senator Stevens.

Senator STEVENS. Thank you very much. Administrator Blakey, it is nice to be here with you again.

SAFETY IN ALASKA

I am constrained to say it looks as if this budget was prepared before the current attack on earmarks commenced. Let me just lay out a little problem I have.

When the deregulation of CAB took place, Senator Cannon was chairman of the Commerce Committee and we reached an understanding. Before that time the FAA managed all of the airports in Alaska. We took over a considerable number of them. But the rural airports, roughly 160 of them, who serve small native villages were to receive under \$150,000 annually for maintenance and light control and that sort of thing.

This is the first time that those funds have not been requested. There is a reduction of \$22.9 million, which adds up to \$150,000 for 159 small airports.

Secondly, our skies, as you know, have been the most dangerous skies in the world. Previously, in Alaska one out of 11 pilots have died annually. We put into effect several safety programs and I do commend you. You certainly have been one of those who has helped

us considerably. But the Medallion Program, which you and I helped establish, and which the Federal contribution was \$5 million last year, has been zeroed out.

In the period of time right at the beginning of this administration, you recall that a foreign airliner coming towards Alaska intersected the dust from one of the volcanoes along our chain and dropped about 20,000 feet before one of the engines was started. We established an Alaska Volcano Observatory. It is not only for local Alaska. It is for the planes that fly over our State. Your agency has contributed \$5 million a year to that observatory. That has been zeroed out.

We have the Loran-C system for the northwest coast of the Pacific. Again, it is not really for Alaskans. It is for all the users of the North Pacific. This is the last station to be upgraded in that system, the Loran-C system. It has been zeroed out. There was \$17.5 million last year for that.

Now my problem is, all of those are aviation-related, aviation safety-related. But when I add the money back in, if I can be successful in convincing this subcommittee to do that, it is an earmark and it is going to be attacked as an earmark. And none of them really—well just the one, the first one, with 159 small villages are Alaska-specific. Those are very important to Alaska. The rest are national expenses that are necessary to meet our United States' obligation to those who fly into or out of our airspace.

I am really worried about the prospect that puts upon those of us who represent Alaska the duty of trying to reverse those budget cuts and be under attack again about earmarks.

I really cannot ask you questions. I basically know where you are coming from. You had no alternative. But we have no alternative either to find some way to get that money back in there.

There have been other cuts, one of them is the Capstone Program which again I thank you for your visit. You have come up and helped us recognize those people who have been part of that technology-focused safety program that have reduced the deaths in our State to where we are about the average now of aircraft accidents, despite the fact that 70 percent of our cities can be reached only by air. The Federal Government's assistance to that air system is less than any one city in the United States gets from the Highway Fund. We do not get money from the Highway Fund up there. We only get money from aviation.

And I want to urge you to go back and talk to someone in the OMB and ask them if they understand that.

Our people contribute rather heavily to the aviation funds because every time we get in an airplane we pay another \$5 towards that safety fund. And I have not heard very much reason why we should do it when we are flying planes that do not ever come near the size of the planes that were used in 9/11.

But in any event, I really cannot justify the cutting of these Alaska-related aviation programs that are essential to safety. I would urge you, and I cannot even ask you a question, but I would urge you to talk to them about this. Even our Aid to Airports Program this year, it dropped \$21.3 million in 2006 and now it is going to drop another \$10 million in 2007. And yet, as I said, we have the

greatest demand on the aviation system per capita of any Americans.

I just leave it before you and before the record. I do not know the answer to my questions. The only answer to my questions really is money. I do not see much leeway in this budget to even ask my friend from Missouri to take money from somewhere else and put it in these funds. The funds are safety-related, I think. It is the worst example of budget cutting I have seen in 38 years.

I think unless there is a budget amendment coming up here, it is going to be impossible to restore that money. And I predict without the Alaska Observatory for Volcanoes, we are going to be right back where we were to start with. Those volcanoes are active right now as we speak. And one of them, as you know, just stopped spewing out its smoke and debris just last month.

I would hope you would go back and ask them to review what is going to happen to Alaska under this program.

And I would tell the chairman, I really do not think I am going to be too cooperative as far as this bill is concerned until there is some change made in the FAA budget that affects my State.

Senator BOND. Thank you very much, Senator Stevens, for that good news. As we said earlier, I am very much concerned about this budget and on a number of issues and I think this is an area where the Office of Management and Budget has not dealt well with what is very important to all of us, and that is air safety. Having flown in Alaska, on occasion, I understand the concerns you have there.

Madame Administrator, Senator Bennett raised the question about getting something other than the Airport Trust Fund. It looks like the administration is trying to find some way to raise money that is outside the appropriations process. Obviously, those of us who are appropriators have a lot of issues that are very important and we would miss this opportunity to discuss those with you.

What is the official administration position on why you would want to get out of the appropriations process?

Ms. BLAKEY. I will tell you, Mr. Chairman, there is not an official administration position on this. If there were, we would have a proposal before you right now that we could be discussing.

As you can appreciate, trying to restructure the taxes and fees that support the Aviation Trust Fund is difficult to do, particularly if we are trying to make very substantial changes. I cannot tell you that there is consensus on this right now or that there is a position with regard to the specific issue you raise.

I can absolutely put forward the fact that it would be my expectation that the appropriators will have a very healthy role in whatever system is put forward. I think there is no question about the fact that that would be the view of this administration.

Senator BOND. Obviously, we are just going on the Wall Street Journal article of February 4, so I am glad to know there is no official position.

Ms. BLAKEY. Not at this point.

AIRPORT IMPROVEMENT PROGRAM

Senator BOND. Would you explain the rationale for the part of the budget that would minimize the funding for airports, especially small airports, which would lose the majority of funding? What is the justification for the proposed cuts that would impact both small and large airports? And will this not result in projects underway being stopped or reduced?

Ms. BLAKEY. Yes, and I would appreciate it if the record could show that we are very supportive of the safety programs in Alaska, as Senator Stevens listed those, and the needs of small airports all over the country. Particularly Alaska has some real safety challenges that we hope to address in other ways.

What we are faced with on the AIP funding is simply the reality of the budget climate overall. It was extremely difficult to continue to match the levels of authorization that were put forward several years ago for the Airport Improvement Program without continuing to reduce the funding in F&E, which is the capital investments and modernization.

And at this point we are doing everything we know to control our operating costs, which of course goes to the importance of the contract negotiations. But they still continue to escalate. So, in that universe, where we have real demands on the Federal budget because of broader issues that I know you all know all too well, we had to make some tough choices. And that is really what this comes down to.

In terms of the reason for the drop, and for the smallest airport elimination, of the \$150,000 a year, it is because the way the program is set up in statute when you drop below \$3.2 billion appropriation, \$3.2 billion, the formula changes. And at that point it does eliminate funding for the smallest airports on a formula basis.

Now last year, when we were in a position where that was an issue, we suggested that the Congress, in fact, could change the law on that and therefore not have the small airports drop below the salt if you will.

The other thing I would point out is this, that we do have, of course, discretionary funding available for airports of all sizes. And safety programs take the highest priority for those discretionary funds. So there is a mechanism for the very small airports to come in and request support for various safety needs that they do have.

Senator BOND. I am very much concerned over this and I understand the situation that you are in. But the low cost and regional carriers have 43 percent share of the air traffic market, while regional carriers represent 37 percent of the traffic at the Nation's 35 busiest airports. Yet the top 35 airports are nearing capacity. They handle 73 percent of aviation passengers, a significant percentage of instrument operation. And the costs and delays are going to increase without a major growth in capacity.

INCREASED CAPACITY

Is there anything you can do to increase capacity? And without increased funds in the AIP program, is there any way to meet the growing needs? And what do you see as the overall funding need to meet the anticipated growth of the airline passenger traffic?

Ms. BLAKEY. Well, I will certainly say this, that the very strong record of funding for AIP has resulted in a remarkable number of new runways coming on board. The capacity that those runways have generated is certainly serving to relieve a great deal of the congestion at major places such as Atlanta, Cincinnati, and Miami. I could tick through the major runways. And of course, the major project that is now going on at O'Hare. This will certainly make a big difference.

I would say that the AIP funding that we have put forward will continue to be able to honor all of those major letters of intent for these big projects and the runway projects that are planned currently.

That said, there are several things that we are doing or have done that make a big difference procedurally. I would reference the fact that we are changing the way we use the airspace and that is generating huge fuel savings for the carriers.

Just in this last year, we reduced the vertical separation in the upper airspace. This was a major leap forward. The airspace now is 1,000 feet vertical separation as opposed to 2,000, which created a lot more lanes in the sky.

What this has meant is that carriers now have much more efficient routing. They are able to be in the optimal points in terms of jet stream and direct routing that they could not have before. As we look at this over time, over the next 10 years, that is conservatively worth over \$5 billion in fuel saving.

The new system we put in over the Atlantic and Pacific, over the oceans, is reducing separation, and we have new airspace routes in places like Atlanta, which again are giving enormous fuel savings to carriers like Delta because they are able to fly very precise routes in and out.

So all of that is immediate, near-term, and it is mattering. And then, of course, the next generation system that we are bringing on, and we have requested before this committee funding for both ADS-B and SWIM, which are going to be backbone technologies for really achieving a satellite-based system, which will be highly efficient.

Senator BOND. Thank you. I will turn now to Senator Durbin for questions.

Senator DURBIN. Thank you, Mr. Chairman.

Administrator Blakey, thanks for being here and thank you for your service to our country.

I said when you came by my office, and I would like to say publicly, I think you do an exceptionally good job.

Ms. BLAKEY. Thank you.

Senator DURBIN. You are hard-working and skillful and bright and responsive. And you answer phone calls and I appreciate that very much.

Ms. BLAKEY. Thank you.

MIDWAY ACCIDENT

Senator DURBIN. So thank you for your service.

Let me ask you first about Midway Airport. We had a terrible accident there last December where a plane skidded off the runway in a snowstorm and killed a young boy in a car that rode nearby.

We love that little airport. It is not so little, but we love that airport and it is surrounded by neighborhoods. And we are trying to make it safer.

I have worked with the city of Chicago on an EMAS technology, a soft concrete technology that would slow an aircraft down if it overruns the runway. They have an application before you at the FAA. Can you tell me what the status is?

Ms. BLAKEY. I can tell you that we are working very closely with Midway on this. We have just received the final aspects of the specs on that proposal for the EMAS system and I expect us to move very expeditiously on it.

EMAS has proven its worth in a number of airports around the country where you do not have as much land for the runway safety areas. I think Midway will be a very good application of that. So we are glad that you have worked with the city and we have that before us, so we will work very quickly on resolving it.

NATCA

Senator DURBIN. Let me talk about air traffic controllers, which we did in my office, and we had a long conversation about your concerns and the state of negotiations.

I can recall a time when my predecessor in the Senate, Paul Simon, created the concept of incentive pay because we could not find air traffic controllers to take certain positions. And so we created salary incentives for them to move to areas where the job might be a little more demanding. And now I understand you are phasing out the incentive pay as part of your budget proposal.

I am concerned about it in this respect. When we talked in our office about hiring future air traffic controllers, I believe you told me that you were going to try to return to 1997 salary levels. Is that a figure that you recall?

Ms. BLAKEY. The 1998 Civil Service spectrum that adjusted for all of the increases that have occurred in the civil service salaries since then. So it is not those levels. It is a framework.

It also is tied to professional salaries for people like engineers, pilots, et cetera, at the FAA. So there is some adjustment on that, but yes, that is roughly closely approximate.

Senator DURBIN. Let me show you a chart that I am going to give you a copy of so that you can take a look at it and perhaps get back to the committee.

I took a look at some of those 1997 levels for facilities around Illinois and see that there is a rather substantial cut that has been proposed, in terms of the pay structure, that is even lower than the 1997 levels.

If you can see, for Moline for example, the \$55,360 and the proposed salary level was \$44,750. And the list goes on. My concern, I want you to take a look and see if there is something missing here, if there is an element that we should be considering in this.

But my concern goes back to my original point. I do not think we should assume automatically that there are lots of people who want to be air traffic controllers and have the skills to do the job and want to take the toughest assignments. We found in the past that sometimes that is not the case. I worry if the starting salaries

that we are talking about here are a cutback from levels that we had 8 or 9 years ago.

I would like you to address that, if you would.

CONTROLLER PAY

Ms. BLAKEY. I cannot speak to exactly those without doing the analysis and which I would be very happy to do. I can tell you that salaries that we have proposed are ones that begin for the entry-level, developmental controllers, coming in with the salary and locality pay on average, base salary \$31,700. Put in the locality pay and you are up to about \$37,000, which by most people's standards, for someone coming right out of school with no experience is good—and by the way, as you know, for the first several years of a controller's service, it is mostly about training. So you have that prospect there.

But after 5 years, on average, the base salary for controllers, with locality pay, is going to be about \$84,000 a year. Now that is a pretty generous wage by almost anyone's standards. You put on the premium pays, and I am just talking about average premium pays here, and you are well up into the \$90,000's.

You put on the benefits, because as you know there is an enhanced retirement plan for controllers, average compensation for the new hires—and this is average—is \$127,000 a year.

Now I have not had anyone suggest to me so far that we will have any difficulty recruiting and retaining the best and brightest. I was anecdotally just at one of the collegiate schools up at La Guardia Airport that trains new controllers to come into our academy. And when I explained the proposal and what the benefits were, the only questions I got was were: "Are you sure you are going to keep up the hiring? How quickly are you going to be hiring more? And we are really looking forward. Where can we expect to be positioned?"

That is the nature of the questions.

Senator DURBIN. Has there not been a period over the last several years where we did not hire though?

Ms. BLAKEY. There was. And therefore they are hoping that we are going to keep up a steady state of hiring. And I was able to assure them that we absolutely will, that they are looking forward to a boom in hiring at the FAA on an ongoing basis for many years.

NATCA

Senator DURBIN. As I said to you in my office, and I will say in closing here, I really hope that there is a way that you can work out a negotiated settlement with the air traffic controllers. I think it would be a terrible outcome if this is dumped in the lap of Congress to decide. There are too many factors involved in this, and frankly the information from both sides conflicts in some areas and it is tough for us to sort it out.

It would be far better if you could reach agreement with a group that the FAA needs to work closely with for the years to come. So I hope that that happens.

Ms. BLAKEY. We would very much have liked to have had a voluntary agreement on this, believe me. I wish that there had been a way to close this gap because it was a very difficult one, \$600

million just in the 5 years of the contract. But most importantly, the ability to adjust our pay scale for the new hires. We keep the existing controllers financially whole. But for the new hires, so that they have a fair wage that we can provide salary increases as the years go on, and they are equitable to the rest of the FAA's workforce.

Senator BOND. Thank you very much, Senator Durbin.

Senator DURBIN. Thank you.

FAA TELECOMMUNICATIONS INFRASTRUCTURE

Senator BOND. We have unfortunately just a few more minutes. I want to go into several questions I raised earlier, for example, the FAA Telecommunications Infrastructure.

The FTI is critical. I understand that it consists of 25,000 telecommunications services at over 4,400 FAA sites. The Harris Corporation is a prime contractor and the contract has a minimum value of \$303 million.

But the FAA is critical to the management of this program. According to the IG, the major problem with the program is that the FAA did not develop a detailed master plan or an effective transition plan. And they suggest that the FAA would have to exercise its 1-year option to extend the Verizon contract and maybe retain those services at a substantial cost.

Has the FAA responded to the IG recommendation? And are you looking at having to pick up the Verizon 1-year option and perhaps a possible second year option on this? What are the costs that you see in this?

Ms. BLAKEY. Basically, we are looking at the fact that we had hoped to be seeing substantial cost savings, in other words, reduction in what we are paying right now on the existing legacy contract through this FTI contract. We have not yet. And cost savings, for example, this year if we had hit our numbers, would have been \$100 million. That is real money by anyone's standards.

Believe me, we are working as hard as we know how with Harris and its subcontractors. Verizon is the incumbent contractor, and also a subcontractor to Harris, as are a number of others on this contract.

We do expect at this point that we are going to be adopting the recommendations from the Inspector General. I think the idea of a much more detailed master plan with all of the metrics that they recommend will help us keep this contract, will help us get the contract back on track and then help us monitor it very precisely. So we are doing that and that plan will be out in June.

We also are going to look at the extension. We have already sat down with Verizon to start talking about an extension. So we have the latitude at the end that we probably will need.

Senator BOND. What do you expect the savings to be from this changeover?

Ms. BLAKEY. The savings in the long run on the contract, and this goes out to 2017, I believe, is somewhere over \$600 million. So it is a very big sum of money.

We are trying, we are on the track for a recovery plan here, and have begun on a number of fronts to hit the numbers again. But we still have a hill to climb here. There is no question about it.

This is a little like stacking bricks, I hate to tell you, because it is all logistics. It is all start stacking them faster and in better order to make it all work.

And we have learned a lot over the first couple of years of this contract. So we are trying to work a lot smarter and make it work.

Senator BOND. My family used to be in the brick business and I used to stack bricks, and I understand. That is why I went to law school.

I would like a quick comment—I believe Mr. Dobbs, the Assistant IG for Aviation is here. Mr. Dobbs, do you have anything additional to add on this? If you would please come up. Obviously this is a major concern and we want to do what we can help you get it right.

Mr. DOBBS. Administrator Blakey explained—

Senator BOND. For the record, give your full name, would you please?

REMARKS OF ASSISTANT INSPECTOR GENERAL FOR AVIATION

Mr. DOBBS. I am David Dobbs, Assistant Inspector General for Aviation and Special Program Audits, Office of Inspector General, Department of Transportation.

Senator BOND. Thank you, Mr. Dobbs.

Mr. DOBBS. I think the Administrator's testimony was correct. Our audit focused on FAA's management structure of running a program. And as she said, they focused only on site acceptance. That is initially just putting equipment in.

Because of that they were still paying for the legacy systems and they had to pay for Harris. And that is why costs eroded.

FAA has agreed with our recommendations to develop a realistic master schedule and improve their transition planning. And the results of that, as the Administrator just said, are supposed to be out in June. That will give us and FAA, of course, a better idea of when the project can get done and what the savings will be. But until that happens, until you get a master schedule, I do not think anybody can tell you with any certainty what the savings will be or when it will get done.

NATCA AND RETIREMENTS

Senator BOND. Thank you very much, Mr. Dobbs.

Let me return to questioning for the Administrator.

There are lots of charges going back and forth. You have talked about the salary under the proposal for the controllers' contract. Each side has various assessments of whether there will be waves of retirements. What do you foresee as retirements if the FAA proposal becomes law without further negotiations? Do you see any significant number of controllers retiring?

Ms. BLAKEY. We know that because there are a large number of people who will be retirement-eligible and then hit the mandatory retirement age of age 56, that we are going to see significant numbers of retirements over the next 10 to 12 years. That has been true all along. That is a structural thing because of the number of controllers that were hired right after the PATCO strike. We have got a huge generation that is moving on. That is why this issue of the salary structure for new hires is so important to get right.

But I was very surprised that the union suggested that there would be retirements that would be triggered by the contract proposal we put forward. No. 1, we certainly do not see any. I can tell you that, and I check in with HR.

Senator BOND. Under your proposal again, what will the existing controllers get? What kind of increase would they get over their current salary if the FAA proposal were to go into effect, which it appears it would?

Ms. BLAKEY. Average compensation and benefits right now are \$166,000 a year. It will go to \$187,000 a year.

Senator BOND. That includes benefits?

Ms. BLAKEY. It includes benefit as well, that is correct. So when you take the benefits off, which I think are about 30 percent, you can ratchet that down. But the key point is that our proposal does allow for locality increases every year. It also includes performance-based increases every year of the contract. And this is something that therefore will and can increase the existing controllers' salary and benefits as they move forward.

The other thing I would point out is this, that the controllers' retirement is based on two things. It is not just based on their high three, which by the way can be any high three but their salaries are going up so this will benefit them.

But that said, it is also based on years of service. It does not, in any way, incentivize people to leave early because every year that they go forward the years of service add 1 to 2 percent to their overall retirement package.

Senator BOND. And they would be getting a pay increase, which would be the basis of the last 3 years on which their retirement is based; is that—

Ms. BLAKEY. Every year they would be—

Senator BOND. So if they work an extra year they not only get the additional year's service, but they get a higher base number in the salary? For the computation of retirement?

Ms. BLAKEY. The controllers that are within the pay bands, because we work on a pay band basis—I am sorry, thank you very much.

Benefits are 20 percent, I was wrong, rather than 30 percent. So I am exaggerating the difference there. Cash compensation goes to \$140,000 at the end of the 5 years, so that is the figure that we are working with here.

But let me go back to this issue of increases. The increases for the bonuses, if you will, if they are within the salary caps they go to base pay and they do therefore ratchet up for retirement. If they are above the salary caps, they are given as lump sum increases. So it depends on how high your salary is as to how much that increases your retirement. But your retirement, as I say, in addition to being based on an already very high salary level will also be based on the number of years of service.

And when you realize that annuities—just think about \$120,000, for example, as the salary for an existing controller, just pick that as an average. If they retire tomorrow, their annuity is going to be somewhere around half that. Now these are people in their late 40's, early 50's. There is not much incentive to turn around and leave the kind of money on the table that they would be on the

basis of a contract which, as I say, continues to increase and continues to benefit them. Our controllers are a very smart work group and I know they are going to sit down and do the math.

WRIGHT AMENDMENT

Senator BOND. One final question. This committee has had some activities involving the Wright Amendment which limits flights from Love Field to Texas and now eight other States. One of the things that we hear is that DFW is the second busiest airport in the United States and the sixth busiest in the world. From an air traffic control standpoint, is there any reason why more flights should not come out of Love Field to lessen the congestion at Dallas? Does that cause any air traffic control problems?

Ms. BLAKEY. This is something that we have looked at a couple of times and obviously it depends a little bit on what kind of traffic is planned and all of the specifics of that. So I will not put out any kind of blanket assertions.

But I will say this. A while back we had Mitre, who does a lot of work for us in terms of air space analysis, look at it. And I think that the flights that, at that point, they analyzed could be handled. They are doing another study right now and I will have some results on that relatively shortly, which I would be very happy to share with the committee as soon as I have that.

Senator BOND. Would you do that?

Ms. BLAKEY. But the one that they did before was only a partial basis.

ADDITIONAL COMMITTEE QUESTIONS

Senator BOND. Thank you very much, and I think that we may have one or two more questions but we appreciate your time. And we thank you very much for being here, and Mr. Dobbs as well.

[The following questions were not asked at the hearing, but were submitted to the agency for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

UNMANNED AERIAL VEHICLES AND THE NATIONAL AIRSPACE SYSTEM

Question. What information or test data does your organization need to allow expanded UAV border security flights beyond Arizona's borders?

Answer. The Federal Aviation Administration has not received a request for expanding border security flights along the southern border using Unmanned Aircraft Systems (UAS). However, the FAA is prepared to work with the Department of Homeland Security (DHS) if it requests to expand the critical mission of patrolling our borders. In the short-term, we will use Certificate of Authorizations and Temporary Flight Restrictions (TFRs) to meet mission needs. This will mitigate the risk to the public as we gain experience with UAS operations and develop standards for the necessary command, control, and communication systems and detect, sense, and avoid systems.

UAS do not yet have proven levels of reliability that would provide an equivalent level of safety to today's aviation regulations contained in Title 14 of the Code of Federal Regulations (CFR 14). Compliance with the general operating rules, in CFR 14 part 91, would be especially difficult for this emerging technology's civil applications. Technology to solve critical functions, such as the ability to see and avoid other aircraft, does not yet exist. To mitigate this critical weakness in system development and to protect the flying public, the FAA established a TFR that extended over 340 miles in support of the DHS mission.

Question. When do you expect to have a plan to allow UAVs to patrol the entire northern and southern international borders, and in particular New Mexico's southern border, where commercial flights are not routine?

Answer. The Department of Homeland Security has not informed the Federal Aviation Administration of any plans or made any requests to expand its Unmanned Aircraft Systems (UAS) operations beyond the currently negotiated Temporary Flight Restriction (TFR).

Although the impact to commercial traffic in this TFR may be minimal, it is likely the impact to general aviation (GA) aircraft will be significant. GA aircraft are not normally equipped with many of the safety features that are common on commercial aircraft, such as Traffic Collision and Avoidance System. Also, many of the GA aircraft operating in that area are not required to have an operating transponder, which makes them virtually invisible to ground-based and aircraft-based surveillance systems.

Question. When do you expect to have a plan to allow UAVs to fly during and after national emergencies like Hurricane Katrina?

Answer. The Federal Aviation Administration currently allows use of Unmanned Aircraft Systems (UAS) in response to national disasters through a Certificate of Authorization (COA) to the Northern Command Joint Forces Area Combatant Commander, signed on May 18, 2006. This COA, specifically for Department of Defense use in response to national disasters, allows deployment of Global Hawk or Predator UAS to the disaster area.

Question. When do you expect to have a plan to allow UAVs to interoperate with manned aircraft in the National Airspace?

Answer. The Federal Aviation Administration has processes that already allow many Unmanned Aircraft Systems (UAS) to operate in the National Airspace System (NAS). These processes, Certificates of Authorizations and Experimental Airworthiness Certificates, allow the FAA to set appropriate limitations to mitigate any technical risks in system design and operation while still maintaining the safety of the flying public.

The FAA has tasked the Radio Technical Commission for Aeronautics (RTCA), an industry advisory committee, to develop regulatory standards in the areas of detect, sense and avoid and command, control and communication. The committee is expected to provide standards within 3 to 5 years. Full integration of UAS into the NAS will require a significant effort in the areas of safety analysis, risk modeling, technology development, and policy changes. The FAA expects to complete a road map by the first quarter of 2007 that will outline, in detail, the work necessary for UAS to "file and fly" in the NAS.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

Question. Administrator Blakey, in 2000, Congress phased out the High Density Rule that slot-controlled O'Hare International Airport. The FAA has issued an NPRM that contemplates rules substantially similar to the HDR. When are you planning on coming back to the Congress to get authority to re-impose a slot system?

Answer. The FAA has broad authority under 49 U.S.C. 40103 to regulate the use of the navigable airspace of the United States. This section authorizes the FAA to develop plans and policy for the use of navigable airspace and to assign the use that the FAA deems necessary to its safe and efficient utilization. It further directs the FAA to prescribe air traffic rules and regulations governing the efficient utilization of the navigable airspace.

The proposed temporary rule is intended to relieve the substantial inconvenience to the traveling public caused by flight delays and congestion at O'Hare International Airport (O'Hare). After the phase-out of the HDR at O'Hare, carriers had the opportunity to add flights and adjust schedules as they saw appropriate, which resulted in extensive delays for all operators at O'Hare and wide-ranging effects on the National Airspace System (NAS).

This proposed rule provides a temporary regulatory solution necessary to maintain an acceptable level of operations at O'Hare without congestion and delay impacting the entire NAS until additional capacity becomes available to meet the persistent demand at O'Hare. There are significant differences between the HDR and the proposed rule that reduce restrictions to the minimum levels needed to address congestion, improve the potential for greater competition and access by carriers, and permit an increase in hourly limits under the rule consistent with any realized capacity increases.

Question. The existing temporary flight caps were targeted to reduce delays by 20 percent. In the city's original comments to the proposed flight reductions they stated that the arrival rate was too low and would leave capacity on the table. Now, the FAA's own data shows that the FAA has over shot the reduction goal by 20 percent

to 35 percent. In addition, one carrier, Independence Air, has ceased operations at the airport leaving 10 slots unused. Yet, the FAA has not granted the city request to not leave capacity on the table and increase the arrival rate. Why is the FAA allowing valuable capacity to remain unused and starving the economic engine of my State and the surrounding region?

Answer. FAA explained in the March 13, 2006 show cause order, to extend the August 2004 order which caps Arrivals at O'Hare, the 10 arrival authorizations previously operated by Independence Air are not excess capacity. The FAA does not consider Independence Air's arrival authorizations to be excess capacity, because when negotiating schedule reductions expecting the August 2004 order, the FAA had to allocate arrival authorizations in some peak afternoon and evening hours at levels that exceed the peak-hour target of 88 scheduled arrivals per hour. In addition, the number and timing of international flights by foreign air carriers has not been limited by the FAA's order and these flights are also operated above the hourly cap.

The Independence Air arrival authorizations, particularly in the peak afternoon and evening hours, if unused, would help offset these periods of continued scheduling over the operational target. At the same time, the daily, average operational performance for O'Hare was better than modeled. This is due in part to some carriers not fully utilizing their authorized arrivals under the order. The current order, which limits flights at O'Hare, does not have a minimum usage requirement. However, the proposed rule considers implementing a usage requirement, as well as a method for reallocating any arrival authorizations that are not being utilized (e.g. Independence Air). Until currently authorized flights are better utilized, it may not be practical to significantly change the scheduling limits.

However, it is possible that air traffic procedural changes or other enhancements will result in a limited increase in arrival capacity over the duration of the proposed rule. Therefore, the FAA proposes to periodically reexamine the level of available capacity at O'Hare. Under the proposed rule, every 6 months, the FAA would review the level and length of delays, operating conditions at the airport and other relevant factors to determine whether more arrivals can be allowed.

Question. The proposed NPRM has a sunset provision in 2008. But, some of the text leaves doubt in my mind whether that is absolutely true. Will you state for the record that if the NPRM were implemented, that the rule would absolutely sunset in 2008?

Answer. As stated in the NPRM, FAA proposes a 2008 sunset date for the temporary rule. The city of Chicago's O'Hare Modernization Program will adequately increase airport capacity and reduce levels of delay. The first phase of the O'Hare Modernization Program, a new north runway, is expected to come on line in late 2008. In addition, recent improvements to the Instrument Landing Systems for runways 27L and 27R will also improve performance in adverse weather conditions.

The 2008 sunset date for the FAA's proposed rule would address the present conditions at O'Hare until the benefits of any interim capacity enhancements are realized.

Question. I am very excited about some recently implemented and impending improvements to Chicago's Airspace. The implementation of Category II/III operations on Runways 27-left and 27-right at O'Hare, the new MACE Routes in Cleveland Center, the Airspace Flow Program, and the impending addition of two new east-bound departure routes out of O'Hare should all go a long way towards increasing airspace capacity for the Chicago region and the Nation. I'd like to thank the Administrator for the dedication to improving Chicago's airspace.

With the airspace and procedural improvements that have been implemented in the last couple of years at O'Hare and the upcoming improvements, how does the FAA plan to deal with this increase in capacity?

Answer. The changes referenced above will improve efficiency in the airspace surrounding the greater Chicago Metropolitan Area. Included in these changes is the Midwest Air Space Enhancement (MASE) routes, implemented on June 8, 2006; the Chicago Airspace Project, with planned implementation starting in early 2007; and other non-airspace projects such as AFP.

These efficiency improvements focus on enhancing how the airspace is used to reduce delays and restrictions, but not necessarily changing the airport capacity. Airport capacity improvements are more closely tied to airfield programs, i.e. the O'Hare Modernization Plan (OMP).

When implemented, the airspace design changes in the Chicago Airspace Project will have significant impact on the airspace capacity supporting the Chicago metropolitan area. The Chicago Airspace Project will implement new departure routes and sectors, and new arrival procedures to complement the planned OMP runways. The FAA projects that the Chicago Airspace Project will reduce delays by 20 percent

as the result of new departure routes and sectors. Eventually, delays will be reduced by 65 percent with the addition of the first new runway and the associated arrival route changes.

QUESTIONS SUBMITTED BY SENATOR BYRON L. DORGAN

Question. When can Bismarck Airport expect its ASR-11 upgrade?

Answer. A thorough study of ASR-8 lifecycle costs and upgrade benefits is underway to define the best value approach for continuing safe surveillance service at the 37 airports with ASR-8 radars, including Bismarck, ND. As directed by the Senate, FAA has thoroughly investigated the operational conditions at Bismarck Airport, and has concluded that there are no service or safety issues related to its current ASR-8 radar system. Given that, it is likely that deploying an ASR-11 radar at Bismarck may not be justified by the business case analysis. FAA expects to have final determination of what sites justify the significant expense of installing new ASR-11 radar systems by the end of fiscal year 2006.

The ASR-8 radar system at Bismarck is performing well and provides safe surveillance service. Because the ASR-8 radar system is a good, highly reliable radar, it's likely the FAA will continue to rely on them at many airports for many years to come.

Question. Are you ignoring this clear mandate from Congress by delaying the Bismarck upgrade?

Answer. The FAA has ensured Bismarck continues to have safe and capable radar coverage. As stated in the previous response, the FAA is awaiting the results of the business case analysis for Bismarck. A thorough study of ASR-8 lifecycle costs and upgrade benefits is underway to define the best value approach for continuing safe surveillance service at the 37 existing ASR-8 radar sites, including Bismarck. The results are expected by the end of fiscal year 2006. Surveillance service safety will be maintained either through sustainment of the existing ASR-8 systems; installation of an ASR-11 radar system if the benefits exceed the costs; or by using other technologies pending definition of the future architecture of ground based surveillance.

The FAA has investigated the operational conditions at Bismarck Airport, including radar coverage provided by the existing ASR-8, and determined that there are no shortfalls in the air traffic service currently being provided.

Question. What has the FAA done since this Congressional directive in fiscal year 2005 to move the Bismarck Airport closer to its ASR-11 radar upgrade? Please provide me a detailed overview of your actions and communications with Bismarck Airport since the report language.

Answer. The FAA has verified that safe surveillance services are currently being provided at Bismarck Airport. The FAA understands that the local landowner of the existing radar site and the airport wants to develop the land where the current ASR-8 radar system is located. Bismarck Airport is aware that the analysis is underway to determine which sites justify the expense of deploying new ASR-11 radar systems.

While a detailed log of all communications between the FAA and the airport has not been maintained, the regional FAA representatives and the Bismarck Airport Manager have had numerous communications on this matter. The most significant of these communications are described below:

—On 8/17/05, in response to an email inquiry, the FAA informed Mr. Greg Haug, Airport Manager, that an ASR-11 program reassessment was underway, and that Bismarck may not be approved for an ASR-11 radar system acquisition.

The FAA also stated its intent to conduct further analyses to determine the business case for acquisition of additional ASR-11 radars.

—On 10/6/05, in response to an email inquiry, the FAA informed Mr. Haug that the ASR-11 program rebaseline had been approved and Bismarck was not scheduled to receive an ASR-11 radar. The FAA also informed him that a business case analysis would be performed to determine need for additional ASR-11 radars and that the results would be expected by the end of fiscal year 2006.

Question. That said, is the FAA jeopardizing the safety of the American traveling public by not following through on its commitment on the Bismarck Airport radar upgrade?

Answer. The ASR-8 provides safe, reliable coverage at Bismarck and 36 other airports.

Question. How long does the FAA expect to rely on ASR-8 radars? How long can we expect the ASR-8 radars to work without compromising safety?

Answer. The decision whether to replace ASR-8 radars is expected by the end of fiscal year 2006. If the FAA decides it is cost-effective to continue using the ASR-8s, it will continue to ensure they provide safe surveillance service at those locations, including Bismarck. There are no service or safety issues related to Bismarck's current ASR-8 radar system. The overall class of ASR-8 radars has been exceeding the availability target goal of 99.5 percent. Bismarck specifically has achieved an availability target of 99.87 percent over the past 2½ years. Only one unscheduled outage has occurred at Bismarck during that time, lasting approximately 4 hours.

Question. Can you guarantee the safety and effectiveness of these aging ASR-8 radars by using parts cannibalized from decommissioned radars?

Answer. The costs and risks associated with maintaining these radars are being considered as part of the ongoing business case analysis. If the decision is made to retain the ASR-8 radar systems, the FAA will continue to ensure they provide safe surveillance service at Bismarck Airport and other facilities where they are in use. The FAA expects the effectiveness of the ASR-8 radars to continue meeting the agency's availability standards. The overall class of ASR-8 radars, on average has been achieving a 99.67 percent availability in recent years. This exceeds the availability target metric of 99.5 percent. Using spare parts from radars in storage will support the further use of these radars if a decision is made to retain them.

Question. When does the FAA expect all airplanes, including the ones that service Bismarck Airport, to be equipped with this technology?

Answer. The current program schedule calls for a Notice of Proposed Rulemaking (NPRM), to identify equipment required to operate in a designated airspace, to be issued in 2007. The specific provisions of the NPRM are still under development. However, when the NPRM is published it will specify the exact date that all aircraft will have to be equipped.

Question. Can you guarantee that the ADS-B transition won't be delayed and plagued by problems like you have experienced with the ASR-11 upgrade and many other FAA programs?

Answer. The ADS-B management team has an integrated safety risk management program. It identifies risk at an early stage, and enables the FAA to implement a timely mitigation plan. The mitigation plan spells out the actions needed to minimize the potential adverse impacts that might delay the program.

In addition, the ADS-B team will be developing and employing a detailed earned value management system. This system also supports the early identification of potential trouble spots and gives the management team an opportunity to implement solutions early enough to avoid major set backs.

Question. Madam Administrator, in your letter dated April 24, you denied the National Air Traffic Controllers Association's formal request to reopen contract negotiations. You cited three reasons why a voluntary negotiated agreement could not be reached. These areas were reductions in new hire pay bands, performance-based compensation, and work rules. John Carr formally responded by offering "... to meet you unconditionally at the bargaining table" and that he would direct his contract team to "bring you real and significant progress on these three important issues." If this is indeed the case, then why would you not make another attempt to negotiate an agreement at the bargaining table where this dispute should be solved?

Answer. The Parties' negotiators made significant progress during the negotiations, especially in the area of work rules, where they reached a number of significant agreements, and I laud them for it. In the economic realm, however, the Parties were too far apart for further negotiations to be fruitful. The Parties began negotiations in July 2005 and reached impasse in April 2006—a period of 9 full months. A mediator from the Federal Mediation and Conciliation Service (FMCS) assisted with the negotiations during the last 4 weeks. From the outset of negotiations, the FAA made clear to the Union the Agency's bargaining objectives: (1) meaningful reduction in new hire salaries; (2) introduction of a true performance-based compensation system; and (3) reform of work rules to allow the FAA to operate an efficient air traffic system. The FAA's negotiators communicated these objectives to the Union's negotiators at the bargaining table from the beginning and all of the agency's contract proposals reflected them. In addition, I reiterated these objectives publicly on numerous occasions. NATCA had 9 months to make a serious, detailed proposal on compensation that addressed the agency's real needs. Instead the Union chose to wait until negotiations were almost over to do so and even then its final proposal did not result in a cost effective new hire pay structure.¹ Parties

¹ NATCA's final proposal was to raise the existing pay band minimums by 0.8 percent and then lower them by 3 percent, resulting in an effective decrease of only 2.2 percent, far short

reach impasse when one has no more room to move on its proposals. The FAA reached that point in April 2006 and the Union did when it submitted the dispute to the Federal Service Impasses Panel (FSIP).²

Returning to the bargaining table and delaying the implementation of the new contract would be extremely costly. Even a reasonably short delay—through January 2007—would cost American taxpayers an estimated \$214 million and a continued delay beyond that would jeopardize the entire \$1.9 billion in savings. Most of the \$214 million relates to a pay increase that would take effect in January 2007, the costs associated with which would be locked in and compound over time with future locality pay, premiums, benefits and raises tied to a larger base salary. NATCA's demands to return to the bargaining table appear designed principally to perpetuate the current, costly agreement. NATCA's president admitted as much in a March 31, 2006, press release: "There is absolutely no reason for NATCA to end talks. The current contract is better than our last, concession-laden contract proposal at the bargaining table, and our current contract stays in effect until there is a new contract. We could literally talk forever and continue to enjoy the contract we currently work under." NATCA has absolutely no incentive to conclude negotiations.

Question. It is expected that 73 percent of the current air traffic controller workforce will be eligible to retire by 2015. In order to address this issue, the Federal Aviation Administration needs to hire 11,500 air traffic controllers in the next decade. How do you expect to attract qualified candidates when you are proposing to create a lower pay scale for newly hired controllers that will limit their earning potential?

Answer. The salaries provided for in the new pay system will be more than sufficient to attract and retain air traffic controllers in order to meet the FAA's staffing demands over the next decade. Under the new pay system, controllers hired in 2007 will earn an average of \$93,400 in cash compensation by 2011 after 5 years on the job. Cash compensation includes base salary, locality pay, and premium pay such as overtime, Sunday pay, holiday pay, and night differential. In calculating the \$93,400 average, the FAA used a system-wide average for locality and premium pay rates across all facilities. Applying actual locality and premium pay rates historically paid at specific facilities instead results in a higher weighted average cash compensation of \$94,207 after 5 years. Regardless of the method used to calculate average cash compensation, under the FAA's new pay plan, air traffic controllers will continue to be one of the most highly compensated groups of employees in the Federal Government.

CONCLUSION OF HEARINGS

Senator BOND. With that, this hearing is recessed.

[Whereupon, at 11 a.m., Thursday, May 4, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

of what is needed to create a long-term, cost-effective, and fair new hire controller pay structure at the FAA.

²NATCA submitted the dispute to the Federal Service Impasses Panel (FSIP) for resolution on April 7, 2006, 2 days after impasse was declared. Presumably the Union would not have done so if it did not believe that the Parties were at impasse. The FAA's position is that the FSIP is not the proper forum for the dispute and argued to the FSIP that it did not have jurisdiction over the matter. The Parties are currently awaiting the FSIP's decision on jurisdiction. In a similar dispute in 2003 involving other NATCA bargaining units, the FSIP declined to assert jurisdiction.