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FEDERAL AVIATION ADMINISTRATION REAUTHORIZATION

HEARING

BEFORE THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

FEBRUARY 11, 2003

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

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FEDERAL AVIATION ADMINISTRATION REAUTHORIZATION

TUESDAY, FEBRUARY 11, 2003

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

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

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

The CHAIRMAN. Good morning. Today's hearing is the first in a series of reauthorization hearings on the Federal Aviation Administration's programs. The FAA accounts expire this year, and it is this Committee's intention to develop and report out a reauthorization proposal in a timely manner. To do that, it would be preferable for us to have the administration's reauthorization proposal in hand. I would urge the administration to submit its reauthorization proposal as soon as possible, which they have not done for a long period of time. However, given the importance of this issue and the number of other competing priorities in the Senate, we will move forward without it if necessary.

The FAA is solely responsible for ensuring the safety and efficiency of our Nation's civil aviation system. The importance of the aviation industry to our Nation's economy has become all too evident in the months following the tragedy of September 11, 2001. The industry is in a crisis that has deeply concerned this Committee. However, we must be equally concerned about the FAA and its programs and work to ensure that our Nation's aviation system has the proper agency oversight. Our aviation system has been the leader in safety and efficiency, and we must act this year to ensure that this continues to be true.

The last reauthorization bill, AIR–21, enacted in 2000, provided historic funding levels for investment in our aviation system. We have made great progress in capacity and infrastructure improvements, but we must continue to make the appropriate level of funding available to ensure that infrastructure is further improved, our safety is maintained, and the security of our aviation passengers remain a priority.

At the same time, we must be aware of the problems our airlines face. Without an airline industry, there is no need to reauthorize the FAA. This reauthorization will not be an especially easy task. There will be many competing programs for a limited amount of

money. Revenues going in the Aviation Trust Fund are declining. We must make some tough decisions about funding and other issues.

I remain committed to moving forward with the reauthorization bill at a rapid pace. I know our new Subcommittee chair, Senator Lott, along with Senator Rockefeller, and the continuing involvement of other Members of the Committee, will make this happen, and it is important.

I think we ought to look at this FAA reauthorization in the context of two incredibly important issues, one, the crisis in the airline industry. I met with some members of labor yesterday about how we are going to address labor-management issues. Three airlines are bankrupt. Some believe there will be more. That is one aspect of this issue that directly affects the FAA, and the other is the FAA's interface with the TSA. I am not sure we have sorted that out yet, and I would be very interested in hearing Mr. Mead or Ms. Blakey's comments on that.

We had a hearing last week on the TSA, and Mr. Mead informed us, no one else did, that there is a $3.5 billion shortfall between revenues and expenses just for the TSA. Where is money coming out of? The Aviation Improvement Program. I do not think Ms. Blakey thinks that is a good idea, do you, Ms. Blakey?

Ms. BLAKEY. No.

The CHAIRMAN. So we have some very, very serious issues to address as part of this reauthorization, and by the way, on this issue of funding, I do not know how you lay another tax on an airline ticket. I do not know how you take more money out of AIP, which leaves general revenue, but that will be, I think, part of the discussion we have with the witnesses.

I want to thank the witnesses for being here today, and I want to recognize Senator Lott, the distinguished Subcommittee Chairman, and then Senator Rockefeller.

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

Senator LOTT. Thank you, Mr. Chairman. I congratulate you for having this early hearing and for your commitment to moving the FAA reauthorization bill this year. I had some meetings this past weekend with our counterparts on the other side of the Capitol, and they indicate that they plan to work aggressively on this issue also and to have legislation ready in the House before Memorial Day, so that is a positive sign, because at an earlier point, there had been some indication maybe they were going to put the highway bill ahead of this bill, and now it looks like that may not be the case, and I think that is the right thing to do.

I would like to welcome today's witnesses and thank them for appearing before the Committee, and thank them for the job they do. I am especially looking forward to hearing the proposals for the FAA reauthorization from a fellow Mississippian's viewpoint. The administrator is originally from Tupelo, Mississippi, or at least she grew up there, and I have been very impressed with the job she has done, but that is what I expected from her with that background.

Mr. Mead, also I must say that I enjoyed your testimony last week, and I have told others how impressed I was with the job you do in your role as the IG. You not only give a very close look at programs and problems, you are honest about it, but you also try to suggest ways that maybe we could deal with it, and boy, we need more of that, so I am looking forward to hearing from you today.

As Chairman of the Aviation Subcommittee for this Congress, one of my first priorities has been to meet with all segments of the aviation industry. Senator Rockefeller has been doing that over the years and, of course Senator McCain, to make sure we understand everybody's viewpoint and explore new ideas of how we can be helpful to this very important part of America's economy.

When I took the Chairmanship of this Subcommittee a good friend said, why did you do that, they are having all kinds of problems, and I said, that is why, because I think this is too important a segment of our economy to ignore the problems and not try to see if there is something Congress can do.

A lot of the problems are going to have to be dealt with by the industry, but this year is especially important, with security risks, security costs, what we are going to do with regard to the impact on the industry if there is a war that goes forward in Iraq, how that would further affect the industry and, of course, the FAA reauthorization, which is very important legislation.

I remember when we passed it last time it was not easy, and a lot of give-and-take between this Committee and its leadership and the appropriators in the Senate and the House. I hope maybe this time it actually will not be quite that difficult, but it will take a lot of work to get it done.

We plan to have several hearings. I have talked to Senator McCain about other hearings we think will be necessary. I am going to be visiting with Senator Rockefeller some more about his view of how we can develop the legislation working with our Chairman and full Committee and Ranking Member.

In the immediate aftermath of 9/11, I think the Congress acted incredibly responsible in trying to step up to the challenges that aviation security was having, and the industry was having. Now we need to go take a look at what we can do to help stabilize the industry, look at the burdens we are putting on them, look at what the future should be, what is the vision for aviation for the next 10 or 20 years. I do not think we do enough of that kind of thinking, and I enjoyed having a chance to talk with the administrator about that.

We do need to look at ways to enhance safety, security, efficiency, and competition. I am particularly interested in the air traffic control systems, and the use of airport improvement programs. We put lots of money into the air traffic control system, billions, and yet, it still is not where we would like it to be, and I think we are going to have to make sure that we have the capacity in the future, when more demands do come along. We need to modernize the system and, obviously, it can be done.

We also have to pay attention to the impact we have had on airports in terms of lost AIP funds, additional security demands, and what are their responsibilities and our responsibilities.

This is going to be a bipartisan effort because this is something our people deserve, they expect us to approach it that way, and beside that, it is one of the few areas that Senators legislate on that we have to actually endure the consequences, and so we will be trying very hard to do the right thing, and to be helpful and constructive as this legislation is developed.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Rockefeller.

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

Senator ROCKEFELLER. Thank you, Mr. Chairman. I will be brief. I agree with everything that Senator Lott said, and I do think that the Airport Improvement Program is sacred, especially if you come from Mississippi, West Virginia, Montana or Kansas, I do not know about Arizona and Hawaii. You guys are kind of big, but to us it is everything. It is everything.

We have got to look at our rural airports. We have got to make sure the Trust Fund does not get vitiated. We have seen that happen so often. I think we have done the right thing since 9/11, but having said that, we still have a lot more to do in terms of aviation security. That is the linkage with TSA that Chairman McCain mentioned.

But I agree with what has been said about both of you. I think over the years, Mr. Mead, you have really proven yourself a stalwart. We have a lot of work to do, and thank you.

The CHAIRMAN. Senator Brownback.

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

Senator BROWNBACK. Thank you, Mr. Chairman, and thanks for holding the hearing. Welcome, administrator. Thanks for coming to Wichita recently and touring the industry there. It is an important sector, and it is important we do the reauthorization.

I just want to call your attention to one issue. It is a narrow issue, and other people have talked about the bigger-frame issues, which I agree with, but one that I am concerned about from my home State and for the Central Region is a recent analysis on the nonprimary entitlement programs within general aviation. This is an analysis looking at the Central Region, it looked at my State as well as the whole country. In FAA's Central Region, which includes Kansas, only 28 percent of the nonprimary airports would receive the annual maximum entitlement compared to a regional average of 66 percent.

Twenty-eight percent for the Central Region, 66 percent for a normal region, and then looking at my State revealed that only 45 percent of Kansas' nonprimary airports would be eligible to receive the annual maximum entitlement of $150,000 compared to 70 percent Nationwide, so 45 percent in my State, normally 70 percent. I am concerned that we are not receiving the national average.

I know it is a narrow issue for your consideration. We need to look at the broader issues as well, but it is a big concern to my State, which is a State that is heavily dependent upon general aviation. It is heavily dependent on these nonprimary airports for

industry, for the building of the aircraft, and the use of them as well. I would hope that you could at some point in time take a look at that.

I look forward to your thoughts and comments about what we can do for the state of the airline industry overall, that is obviously in a great deal of difficulty. Thanks for being here.

The CHAIRMAN. Senator Inouye.

STATEMENT OF HON. DANIEL K. INOUYE,
U.S. SENATOR FROM HAWAII

Senator INOUYE. Thank you very much, Mr. Chairman. I am here to thank Administrator Blakey and the FAA for the very considerate and sensitive way you and the FAA responded to the special needs of the State of Hawaii. As you are well aware, over 95 percent of the people who travel to and from Hawaii do so by air, and we are hostages to tourism. That is our major industry, and the airlines play a major role in that. If it were not for the sensitive and considerate way you have responded, I think we would be bankrupt today, so I want to thank you personally.

Thank you very much.

The CHAIRMAN. Senator Burns.

STATEMENT OF HON. CONRAD BURNS,
U.S. SENATOR FROM MONTANA

Senator BURNS. Thank you, Mr. Chairman. I will put my statement in the record. I just want to bring up a couple of points this morning that we have heard, and a lot of concerns out of general aviation, and with regard to the working relationship with TSA, and maybe some rulemaking going on down there that is sort of out of the loop, so to speak, or out of the box. We are concerned about some of that in the name of homeland security, and I think it goes back to the way we actually built the foundation of this building, we left out a couple of gaps.

The Federal Government, I guess, has mandated the expansion of the Air Marshal Program, which is doomed to fail. I wish we would just do away with the Air Marshal Program right now. We have authorized pilots to be armed in the cockpit. Now we have got a bureaucracy that is putting them through hoops that should not be even talked about, but I will tell you, in the sense of security, why in the world do we allow our pilots to arm themselves and to secure the flight deck, and then put a weapon back in the cabin? That makes no sense at all.

We do not even build jails anymore where the guards are armed inside the turnkey of the hardest criminals, and when you do that, you change—and I know, if you have got another hijacking, I know the first guy that is going to get jumped on. That is going to be that Air Marshal, and the weapon gets in the wrong hands, and that changes the landscape and the dynamics of that operation quite a bit.

So I am not near the—when you did not have any other security on there, maybe it had merit, but I think that merit is gone, and actually is a detriment to our security right now, as far as operation of an airplane in the air.

And I am kind of concerned about this rulemaking in a sense, because you know, everybody says public service is great, but the bureaucracy has forgotten that it is service to our citizens. We have got to stop putting people out of business that have been in operation a long, long time, and understand their business very well, and we are just not communicating, and that is something that you inherited, and I know you are not going to change that overnight, but I just want you to know that we are aware of it here in Congress, and I think we have to take some common sense steps as far as security is concerned, and I think we can do that.

And the Chairman is exactly right. I do not see how we can put another tax on an airline ticket, but there is some inaccuracy there, but not—do not get me started on airline fares, because I was a little upset last week. I can fly round-trip from here to San Francisco three times for what it cost me to fly once round-trip to Montana, so we are subsidizing the competitive routes, and that is of great concern to me.

So thank you, Mr. Chairman, for this hearing. I look forward to the testimony.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF HON. CONRAD BURNS, U.S. SENATOR FROM MONTANA

Thank you Mr. Chairman for calling this important hearing regarding the Reauthorization of and the current state of the Federal Aviation Administration.

I am pleased to be here this morning to discuss FAA Reauthorization and the plans that the administration has for aviation as well as transportation security. Over the course of the past year and half we have witnessed many changes in our national aviation system. While I believe we have made great strides in security I also believe we have some questions that need answered.

I think it is important that we carefully consider all of the changes forced on aviation both users and consumers in the name of security. Over the past year and a half the Federal government has asked consumers to dramatically change their habits on aircraft and in the airport. Some have accepted the so-called hassle factor as a cost of travel while many have not.

In some cases, the Federal Government has grounded general aviation users from flying at the cost of jobs and businesses. Over the past year and a half the Federal Government has grounded general aviation businesses on several occasions. Some of my colleagues believe we need to continue to do so in the name of security. Congress needs to get out of the business of putting people out of business.

The Federal Government has asked the airports to forego badly needed AIP funding in order to pay for federally mandated security costs while significantly impairing their ability to ensure revenue streams. Although many of the airports have accepted these costs, they have done so at their own expense. We need to find ways to stretch taxpayer dollars by further streamlining the environmental assessment process.

The Federal Government has mandated the expansion of an air marshal program that is, according to media reports, failing miserably. Consequently, Congress has deterred violence on commercial passenger aircraft by allowing pilots to carry weapons on the flight deck but did not foresee the bureaucratic hurdles of implementation.

I am concerned that the voice of Congress is being shrugged off by some in the Administration who believe they know what is better for the people of this country. I would like to invite those individuals out to my state to explain a more secure country is directly related to job loss and the end of family owned businesses.

This should be the root of our efforts as we enter this reauthorization process.

I realize the FAA is not responsible for the actions of TSA and Dept. of Homeland Security but I would like to see accountability on behalf of the people who are now unemployed or whose business has been forced out of the economy.

Finally, I would like to stress how important general and commercial aviation is to rural America and states like Montana. Considering our long distances, sparsely populated areas, and erratic climate, we are more dependent on aviation than most.

I think it is very important that we ensure the future of regional airlines and the Essential Air Service program. Policies that attack transportation in rural states attack our economy, access to health care and standard of living.

During the negotiation on the reauthorization bill, we cannot, and should not, allow a one-size fits all standard on rural states. There are many issues that will need to be addressed this year and I look forward to working with my colleagues on this bill.

The CHAIRMAN. Thank you very much, Senator Burns. The problem that you cite obviously is exacerbated if we have major airlines go out of business.

Anyway, Ms. Blakey, we would like to begin with you. Thank you for appearing before the Committee today, and we look forward to listening to your testimony, and you will need to pull the microphone over in front of you.

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

Ms. BLAKEY. I do want to say thank you, and good morning, Chairman McCain, Members of the Committee. It is a pleasure to appear before you today for the first time as the Federal Aviation Administrator, and before I begin, I do want to acknowledge the new Chairman of the Aviation Subcommittee from the great State of Mississippi, Senator Lott. Thank you very much.

The CHAIRMAN. He needed that, Ms. Blakey.

[Laughter.]

Ms. BLAKEY. Us Mississippians do stick together, I have to admit, but I also want to thank this Committee, as a broader matter, for the speedy confirmation I received this fall. I was obviously in a big rush to get to this relaxing job I am currently in, but I very much appreciated the quick action on that. Thank you.

It is an honor to be here at the helm of this agency that has such a vital and a dynamic mission. Over the past 5 months, and that is all it has been, that I have been in this job, I have to tell you I have witnessed not only the energy and dedication of the staff, but the really formidable technical expertise of the employees of the FAA, who work every single day to ensure and strengthen the safety of the system. It is an agency, I believe, with truly exceptional talent, and I am very proud to represent them here today.

This year, we will work together to reauthorize the FAA's programs. The administration is currently coordinating a reauthorization proposal, as Chairman McCain noted, and I do believe it will serve as a strong foundation for the development of reauthorization legislation. I am looking forward to sharing that proposal with you as soon as I possibly can.

It is a proposal that really has a fundamental underlying theme. It is one that has been developed by Secretary Mineta: safer, simpler, smarter. This concise statement underscores the U.S. Department of Transportation these days, because we put a premium on performance, on flexibility, and on accountability to deliver results, and at the FAA, we are going to do our part to deliver that vision as a part of reauthorization.

Now, to be successful, I must tell you I believe we have to build on AIR–21. Your hard work on this statute resulted in important innovations in safety, and the environment, and it significantly increased the levels of funding that we have available. Now, in my

view, is not the time to stray from this course. What we need to do is build on that important legislation.

Chairman McCain already articulated, as others did here, the serious state of the airline industry. We know what is happening to the revenues there. We know what is happening to our Trust Fund as a result. This is the time for continuity, and for stability, which is what AIR–21 provided us. There are refinements that are needed, and you will see those reflected in our proposed legislation, but the decision you made 3 years ago, were sound, and we believe we should rely on them.

Understandably, the focus on this Committee, the Congress, and the country as a whole has been on security for the last 16 months. The results of your collective work, along with the TSA, have been formidable. Those results speak for themselves—federalizing all baggage screeners, ensuring all checked luggage is screened, and augmenting security on the aircraft. Your efforts have without a doubt made aviation much more secure.

The FAA did play an integral role in this. We contributed people, and resources to assist the new agency at its start-up, and during that same period, maintained our focus on safety. We continue to work closely now with the TSA to guarantee that safety programs are interrelated and well-coordinated with the security programs without policy contradictions, and without requirements that overlap.

We also are working on a series of ongoing crisis management exercises to test this working relationship, and to clarify our individual responsibilities during all sorts of emergency situations. Every day, we at the FAA help to ensure the safety of an airline industry that is in serious economic peril. I know we all agree, at the same time, safety cannot be shortchanged, no matter how tough the economic circumstances are.

Just recently, I met with the FAA managers overseeing US Airways and United Airlines, as well as with the senior safety managers of those carriers. We met together to determine where we were on employee training, internal airway oversight mechanisms, and our own stepped-up inspection program internal to the FAA supporting those airlines.

I am happy to tell you that those programs are adequately supported. In fact, I can report that both airlines fully maintained their commitment to safety, even as, unfortunately, they are reducing other parts of their operation, and the FAA will continue its increased oversight there as well.

At the same time, the FAA has got to continue to improve safety for the entire aviation industry—and I stress the word, improve. By becoming a more data-driven, more performance-based organization, the FAA will be better able to prevent future accidents by using data to detect problems in advance, by looking at disturbing trends. An approach based on measurable facts allows us to identify hazards, analyze and assess risks in advance, prioritize actions, and measure and document results.

This approach, of course, places a premium on information-gathering and -sharing, and that is why the FAA is committed to programs like the Flight Operation Quality Assurance Program, or FOQA, as it is known, where airlines gather and analyze oper-

ational data directly from the flight data recorders on an ongoing basis. We are also committed to the Aviation Safety Action Program, where we get confidential reporting of safety information.

As you now, AIR–21 made an important contribution with the provision on FOQA that has greatly assisted the data-collection effort, and I am glad to tell you that that is going smoothly and increasing as we speak. Thanks for your support on that.

In addition, data analysis plays an important role in the overall Safer Skies initiative we have. As you know, the goal of Safer Skies is to reduce the accident rate by 80 percent by 2007. Let us not take that goal for granted. We are working very hard to achieve it. It is a tough goal, but I can also tell you we are on track.

While our commitment to safety is paramount, we also must remain committed to expanding capacity, as many of you noted here today already, throughout the system. Although the devastating effects of September 11 continue to impact the number of people who fly in this country, recovery of traffic is inevitable. I think we all agree on that, and now is the time, during this temporary downturn in air traffic, to focus on increasing airport capacity.

Both the President's Executive Order on Environmental Streamlining and the $3.4 billion investment included in the President's 2004 budget for the AIP program—and this is a number that, of course, is consistent with AIR–21 funding levels as well—demonstrate the administration's commitment to expanding capacity.

I am very fond of a saying that the Aircraft Owners and Pilots Association uses, a mile of road will get you a mile, a mile of runway will get you anywhere, and I think we need to really stress that as we are talking to folks about why airport capacity is so tremendously important.

With the current downturn, we have a unique opportunity to increase capacity before it returns to the pre-9/11 levels. Increasing the capacity can basically be accomplished in three ways. We have new technologies, new procedures, and new pavement. We need all three, and we have got to invest wisely in a way that is fiscally sound, and is consistent with projected traffic forecasts and that we, at the same time, know that the three can maximize each other.

I think we really have to be committed to avoiding the nightmare delays that we experienced in the summer of 2000. We all remember those days too well, and we have to commit ourselves to avoiding that.

And I have to tell you, I feel very strongly our work cannot stop at our own borders. Aviation is a vital engine of economic well-being for people everywhere. It is a driving force for thousands of businesses and industries not only abroad, but here in an interrelated, international system.

At first, we may think of many of those as having no relationship to aviation but, in fact, they do. It is an enormous economic driver. I therefore want to stress my commitment to strengthening the FAA's role in international aviation. We have to significantly step up our global leadership, technology, aviation standards, and last but not least, in raising the safety bar throughout the world. There are some significant issues out there on that front, and we have to address them.

Finally, while the FAA is often focused on making improvements in the system and around the world, the FAA has got to look at the way we ourselves do business. We are committed to improving our cost accounting process and becoming a performance-based organization. Currently, the FAA has implemented cost accounting in two lines of business and several support organizations but, while we currently track 80 percent of our costs on a monthly basis, we still have a lot of work to do.

We plan to implement the program in the remaining three lines of business this year, but there has been slippage on a new financial system which is called DELPHI. It is a Department-wide system, and that is pushing some things back. This year, we will focus on implementing DELPHI and converting the cost accounting system to work effectively with DELPHI, and then, the next year, 2004, we are going to resume bringing on line the remaining three lines of business so that we can manage all of our costs effectively.

The FAA has also worked hard, I have to tell you, to implement performance-based pay system, a system that links organizational goals and individual staff performance at every level, and demands accountability. There is a lot more, again, that remains to be done there, and we are working every day to bring more of our workforce into this system, because we believe it is truly a foundation for becoming a genuinely performance-based organization.

Now, in closing, I have to simply note on a good news point that this year marks the centennial, of course, of the historic Wright Brothers flight at Kitty Hawk in 1903. When you look back on those early days of aviation and at how truly dangerous aviation and air travel was at that point, I think there is a tendency this year to pat ourselves on the back, and a little back-patting would not be a bad thing in the current climate, but I have to say at the same time, while we marvel at everything that has been accomplished this last 100 years, complacency has no place in aviation. Along with your help, we at the FAA look forward to charting an even safer, a more dynamic next 100 years in aviation.

I look forward to your questions.

[The prepared statement of Ms. Blakey follows:]

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

Chairman McCain, Senator Hollings, Members of the Committee, thank you for the opportunity to appear before you today to discuss the state of the Federal Aviation Administration (FAA). Before we begin I would like to acknowledge the new Chairman of the Aviation Subcommittee, Senator Lott, from the great state of Mississippi. I look forward to working with him as well as the other Members of this Committee during my tenure as Administrator. I would also like to take a moment to thank the Members of the Committee for acting so expeditiously to confirm me as Administrator last year. I very much appreciate your vote of confidence and pledge to work hard to meet the demands of this challenging job.

As we are all aware, the FAA's programs will be reauthorized this year, so this hearing is well timed to establish a baseline for that discussion. The Administration is preparing a reauthorization proposal that, I think, will serve as an excellent basis for the development of reauthorization legislation.

As we consider reauthorization, one of the most pressing challenges we face is the dire economic condition of the airline industry. Although several low-fare airlines have remained profitable during this difficult time, two of our major carriers are in bankruptcy and most of the others continue to incur financial losses. This Committee recognized the importance of this situation by holding your first hearing of the 108th Congress on this issue. Your concern supports the fact that the airline

industry, as we all know, is critical to the overall economic growth of this country. While FAA has no authority over economic matters, it is critical to the FAA that the desperate economic condition of some airlines in no way be permitted to compromise safety. It should also be noted that the downturn in air travel has decreased the amount of revenue being contributed to the Airport/Airway Trust Fund at a time when FAA faces continued demands with respect to both safety and capacity.

First, as always, let me address safety. Under the superb leadership of Secretary Mineta, the Department's emphasis on safety has never been greater. As a modal Administrator within the Department, I consider myself to be, first and foremost, a safety advocate. Last year was one of the safest ever—no accidents of scheduled flights. While that record ended with the tragic accident in Charlotte earlier this year, the accident just served to emphasize that our focus on safety and preventing accidents cannot be affected by balance sheets. I'm sure my friends in the airlines would be the first to agree, cost cutting by the airline industry cannot apply to safety.

I have personally met with the FAA managers overseeing US Airways and United Airlines to satisfy myself that we have appropriately expanded our review of these carriers. The approach we are taking with these carriers is to focus our safety oversight on areas that may be more at risk during a financial crisis. For example, we want to ensure that employee training and internal oversight mechanisms are adequately supported. Any cuts by the airlines in these areas could signal a fundamental crack in the safety foundation of the airline that would require immediate FAA action. We are prepared to step in on a moment's notice if we have evidence of a deterioration of safety. To date, I am happy to report that we have seen both airlines maintain their commitment to safety analysis and audits even as they reduce other parts of their operation.

With respect to FAA's oversight of the industry as a whole, our challenge is to maximize our inspector workforce to make the most of our resources to ensure that unacceptable compromises are not being made by the airlines. We redirect our surveillance resources to areas of concern that have been identified through an analysis of our inspectors' observations, industry data bases and consideration of the airline's overall financial and management condition. This is a proactive approach to make sure that airlines have safety built into their operating systems and also ensure compliance with safety regulations that will improve upon our excellent safety record.

One of the things about which I feel very strongly, is that meaningful safety improvement will only be attained if we focus our efforts on making FAA a data driven, performance based organization. Our safe system can become even safer if FAA can get in front of accidents by using data to detect problems and disturbing trends. In our system safety approach we are identifying hazards, assessing and analyzing risks, prioritizing actions, and measuring and documenting results. This is a continuous, data driven approach that places an emphasis on information gathering and sharing. We need as much data as possible to make informed decisions, which is why FAA is committed to programs like the Flight Operational Quality Assurance (FOQA) and Aviation Safety Action Program (ASAP). AIR–21 contained a provision on FOQA that has greatly assisted us in our data collection efforts. Data analysis plays an important part in our Safer Skies initiative, which is all about taking actions that will achieve the greatest benefits in preventing accidents. When we started this initiative several years ago, the goal was to reduce the accident rate by 80 percent by 2007 and we are on track to do that.

One way we are keeping on track is by establishing agency goals each year that we hold ourselves accountable to meeting. These goals represent the initiatives we at FAA believe will do the most to improve safety, capacity and efficiency. Last year, FAA met nine of the ten goals set. Our on-time flight arrival rates were up. Our equipment-related delays were down. There were fewer accidents and fewer serious runway incursions. The transition of FAA's former security programs to the Transportation Security Administration (TSA) was a smooth one. The one area where FAA failed to meet the goal we set was in the area of operational errors. Even though we were successful in reducing the overall number of errors by 11 percent last year, we did not reduce the most serious category of errors and that is what we must focus on this year. We hope to do that through increased management attention, improved communications, and additional training. As of February 1, I am happy to report that we have reduced overall errors by 11 percent and the most serious category of errors by 12 percent. I am currently working to establish the strategic goals for my term.

Safety is a day in, day out commitment. By setting goals, staying focused and holding ourselves accountable, we will demonstrate our commitment to safety.

I want to note that, with respect to the transition of FAA's former security functions to the TSA, FAA will continue to work closely with TSA even as TSA becomes part of the Department of Homeland Security. Although FAA's role with respect to security has changed, we remain defenders of the Homeland in a very real sense. Security remains a vital component of safety and we will continue to work closely with TSA in this critical area.

While our commitment to safety is extraordinarily important, we must also remain committed to expanding airport capacity. Although the devastating events of September 11th continue to impact the number of people flying in this country, recovery of the system is inevitable. The temporary down turn in air travel affords us with a great opportunity to continue to focus on increasing airport capacity without unacceptable disruption to the system. In response to the costly, frustrating and totally unacceptable delays that plagued the system in the summers of 1999 and 2000, the FAA made needed changes, such as identifying and addressing choke points in the system, and developing and refining regular communications between the airlines and the FAA command center to deal with daily problems in the system.

One of the studies FAA conducted revealed a number of airports with capacity constraints that impacted the national airspace system (NAS) as a whole. FAA has a real and important role to play in addressing the problems at these airports and other airports throughout the country. The Administration's commitment to remain focused and take advantage of this temporary reduction in air traffic to expand capacity is evidenced by both the President's Executive Order on environmental streamlining and the $3.4 billion investment included in the President's 2004 budget for the Airport Improvement Program (AIP), a number consistent with the funding in AIR–21.

The President's Executive Order (EO) recognizes that needed capacity projects are essential to the well-being of the American people and a strong economy, but have too often been unnecessarily delayed by inefficient review processes. The EO established a high-level interagency Task Force chaired by the Secretary of Transportation to expedite reviews for designated high-priority projects and to recommend ways to streamline and simplify reviews for transportation projects in general, consistent with the nation's commitment to environmental stewardship.

In challenging fiscal times, the President's commitment to the AIP program is another example that he wants our focus on expanded airport capacity to continue unabated. The importance of investment in airport infrastructure goes beyond alleviating a congestion problem at a specific location. It can provide relief to the entire NAS. The economy relies on aviation to move people and products, and aviation relies on an efficient NAS to accommodate the capacity demands placed upon it. We must work together—Congress, federal, state and local governments, and industry stakeholders—to use this downturn in travel to prepare for the inevitable return of air traffic better situated to avoid the nightmares of past summers. We must embrace our role as architects of the future and support the infrastructure necessary to meet the needs of future generations.

In order to ensure that FAA moves forward in all these areas, one of my top priorities is to provide consistency and predictability to the way FAA works with industry. I do not want any variations in FAA policy or practice in the regions or field offices. I want our industry partners in the United States and around the world to know what they can expect and count on when dealing with the FAA.

I also want to increase FAA's international profile. Aviation safety should be one of our most important exports. FAA is broadening our network of partnerships with civil aviation authorities, as well as promoting our relationships with regional safety organizations. We are in a position to be very helpful in providing technical assistance to those countries that want to improve aviation safety oversight or air traffic control services. We must also guard our position as a world leader in aviation safety, air traffic, and environmental issues. The world is getting ever smaller and if FAA can help improve safe air travel for U.S. citizens and citizens of the world no matter where they travel, we should embrace that role. Just as past pioneers expanded the world's horizons, I want FAA to be a pioneer in transportation and improve aviation around the world.

Finally, in the five months I have served as Administrator, it has become apparent that FAA's operational costs must be brought under control. Since any future growth must be manageable, our decisions must be made in an informed manner. Just as our safety decisions should be driven by data, so should our management decisions be driven by cost data. Consequently, we must push forward our efforts to set up our new financial system, DELPHI, and complete the implementation of our Cost Accounting System (CAS) and Labor Distribution Reporting (LDR) initiative. We will use this information to improve the decisions we make. Recently, the Department's Inspector General, Ken Mead, pointed out that we have additional

work to do on internal controls related to the system we use to capture labor costs. I am committed to make these changes, and to additional enhancements that may be required in the future to assure the integrity of our cost information.

Mr. Chairman, I want the FAA to become, not a performance-based agency, but THE performance-based agency; one by which other agencies will be measured. We will start with the Air Traffic Organization and then work our way through the rest of the agency. The Air Traffic Services Subcommittee of the Management Advisory Council has embraced a formal set of eight performance metrics that will be reviewed on a quarterly basis at their meetings. This evaluation will enable the Subcommittee to measure the effectiveness and efficiency of the air traffic services provided to our customers. The Subcommittee has been extremely helpful by using their business acumen to provide advice on how best to serve our customers, while retaining business-like efficiencies.

In conclusion, this year marks the centennial of the Wright Brothers' historic flight at Kitty Hawk. The flight was marked in feet, not miles or time zones, yet it is hard to measure the impact of that moment on the way the world has evolved since that momentous day. When you look back on those early days of aviation and how dangerous air travel was compared with other modes of transportation and compare them with today when aviation is the safest way to travel, it is easy to pat ourselves on the back and feel content with how far we've come. While we can and should marvel at all that we and our forbearers have accomplished in the past 100 years, complacency has no place in aviation. We must continue to set and work to achieve goals with respect to safety, capacity and efficiency. I want to know that I was part of the unimaginable advancements in aviation that will take place in the next 100 years and I want you to know that I stand ready to work with you to take those first steps in the second century of flight to make our world a better place.

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

The CHAIRMAN. Thank you, Administrator Blakey.

Mr. Mead.

STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. MEAD. Thank you, Mr. Chairman. I appreciate the opportunity to testify today on the FAA. I know it is not the subject of this hearing, but there are numerous other issues, like service to small and medium-sized communities I know the Committee will be tackling as well.

I want to start off by saying I look forward to working with Administrator Blakey, who I am certain is going to be a fine administrator, particularly with her NTSB safety background. It is worth noting that, like former Administrator Garvey, Ms. Blakey is starting off on a 5-year term, which will bring stability and leadership. Before this reform, the average tenure of the FAA Administrator was about 18 months and sometimes, frankly, it showed in the agency's performance.

In my prepared statement, I go through a number of items that I consider, to be very significant achievements over the past 5 years, and I think there is a linkage there between the stability of leadership, of having one person at the helm for a period of time, more than 18 months, and those achievements, but at this hearing, we are here to consider the FAA of today and the pending reauthorization.

As we see it, there are four central issues. The first is making FAA a performance-based organization by controlling the costs of its operations and cost growth in major acquisitions.

Second is building aviation system capacity now to prevent a repeat of the gridlock conditions experienced in the summer of 2000.

Third is striking the balance on how airport funds will be used for the needs of aviation system capacity and safety, and how they will be used to fund security.

And finally, is aviation safety.

I will take each one of these in turn.

Performance-based organization, a very perplexing issue here. In 1996, Congress exempted FAA from most personnel and acquisition rules so that FAA would operate more like a business. That is, services would be provided to users cost-effectively, major acquisitions would be delivered on time and within budget.

FAA was also directed, by this Committee, in fact, to establish a cost accounting system so that they would know where their money was being spent right down to the facility level. In AIR–21, Congress took some additional steps to make FAA more business-like—among them were reorganizing FAA's air traffic control management structure and establishing a chief operating officer position.

Well, it is 6 years later and we do not see sufficient progress towards FAA becoming a performance-based organization. The growth in FAA's budget has gone from about $8 billion in 1996 to $14 billion today. That is an increase of nearly $6 billion. Only about one-third of that increase went to higher authorized amounts for airport funding.

During that same period, we have seen inordinately large increases in workforce costs, as well as significant cost growth and schedule slips in major acquisitions. Continued cost growth of this magnitude is simply not sustainable, given the multibillion-dollar declines in projected Aviation Trust Fund receipts.

A frame of reference: the Trust Fund in 2004 is going to take in about $10 billion. That is at least $2 billion short of what people thought it would take in. The budget is calling for about $14 billion.

I do not believe the answer to the cost growth problem is to increase aviation fees, taxes, or other charges, regardless of what you call them. Passengers already pay a significant amount. Nearly 26 percent of a $100 nonstop ticket will go to taxes and fees, on a $200 single connection round-trip ticket, about $51. Just like airlines have had to rethink the basics of their business because they are financially stressed, FAA must also reexamine how it does business.

The reality of personnel reform that we see has been soaring workforce costs and significantly higher salaries. There is no doubt that labor-management relations with the controllers have improved, but FAA's operations budget has increased by nearly 65 percent, or $3 billion.

The average base salary for a fully certified controller has risen to over $106,000, a 47 percent increase over the 1998 average of $72,000. Salaries for the lowest-paid controllers are today about $64,000. The lowest-paid group represents about 1 percent of the controller workforce.

When premium pays like overtime and Sunday pay are considered, total salaries are substantially higher. The 10 highest-paid controllers in 2002 earned between $192,000 and $214,000. In fact,

over 1,000 controllers earned over $150,000 in 2002, compared to only 65 of them in 2000.

As a performance-based organization, you would also expect to see pay and performance linked together, but frequently, that is not the case. In fact, only about 36 percent of the FAA employees receive increases based on their individual performance, the remainder receive largely automatic increases.

In our work, we have also found that there are somewhere between 1,000 and 1,500 sidebar agreements, or memoranda of understanding that FAA managers have entered into, some committing taxpayer funds not in writing, but sometimes with a shake of the hand. Many of these serve legitimate purposes, but we found some that have large cost implications and they are over and above the controller base pay.

Examples: One MOU provides controllers with an additional cost-of-living adjustment. At 111 locations, controllers receive between 1 and 10 percent in incentive pay which is in addition to the Government-wide locality pay. The total cost in 2002, $27 million.

We have also seen MOUs that may set a very costly precedent for giving incentives to controllers for getting trained on and accepting new systems.

One MOU for a new air traffic control free flight tool gave each controller an incentive $500 cash award and a 24-hour time-off award while the system was being fielded. At six facilities alone, that resulted in the FAA incurring approximately over $1 million in individual cash awards, 62,500 hours in time off.

At Philadelphia, there was a verbal agreement that gave each employee $1,000 and 3 days off in connection with the deployment of the new STARS system. Extend that practice Nation-wide, and you will, the budget will go through the roof.

Another MOU we reviewed allows controllers transferring to larger facilities to begin earning the higher salaries associated with their new positions substantially in advance of their transfer. At one location, controllers received the increase 1 year in advance of the transfer, going from an annual salary of $54,000 to $99,000. During that time, they remained in their old location controlling the same air space and performing the same duties.

So management of these MOUs has to become a lot tighter. We found the controls over that process are virtually nonexistent. No one knows the exact number or nature of these agreements, there is broad authority among managers to negotiate MOUs and commit the agency; no standard guidance for negotiating, implementing, or signing MOUs; and no requirement for estimating potential cost impacts. Administrator Blakey and I are working together on this issue, and she is, I am certain, committed to bringing it under control.

I would like to turn to acquisition reform. Here, results have been mixed, in our view. Contracts are awarded more expeditiously, and a number of systems have come in on time. But the bottom line is that significant schedule slips, schedule growth, and substantial cost growth are all too common.

A point of reference: five major projects we tracked have experienced cost growth of over $3 billion. That equates to the equivalent of a full year's budget for air traffic control modernization.

As for FAA's cost accounting system, it was to be completed by 1998 at a cost of $12 million. However, after over 6 years of development and a price tag of over $38 million, the cost accounting system is still not complete. Perhaps later this year, according to the latest schedule. It seems elementary to me that for an organization that is going to be performance-based, it must know where its costs are. Given projections of controller retirements, it would also help greatly in knowing how many controllers we need, and where we need them.

With a budget of $14 billion, FAA cannot credibly claim to be a performance-based organization until it has a full cost-accounting system and uses it.

Regarding the 2000 FAA reauthorization reforms, the position of chief operating officer has not been filled, and I am not persuaded that the ATC subcommittee that Congress created can realistically be expected to discharge the broad range of responsibilities it was given. They are vast—approving the FAA budget, the cost accounting system, FAA's modernization plans, the administrator's personnel selections, FAA strategic plan, and personnel bonuses. This is an area I think we may need to rethink.

I do understand the subcommittee is currently working to develop performance metrics, and that is a good step. One set of metrics I hope they include are metrics on cost control, like any business would have.

I would like to turn to the other three issues facing the committee in FAA's reauthorization. The first is capacity. No one wants to relive the summer of 2000. I think DOT, FAA, and the aviation community are moving smartly to prevent that from happening through a combination of runways, new technologies, better use of air space, and greater use of nonhub airports. If we wait to fix this capacity problem until passenger demand returns, it is going to be too late. It will be trying to change a tire on a moving car. So even though the demand is not there right now, and the gridlock is not there, now is the time, as Administrator Blakey says, to keep the pressure on.

The second is aviation security, and funding it. We talked about this last week. The number one issue I see are these truck-size explosive detection systems. Right now, at most airports, they are in the lobby, but that is not the end-state solution. They are going to have to be put at the big airports, in the baggage systems. The price tag for that is—I have seen estimates as high as $5 billion but, I put it for the time being at about $3 billion. This is an almost immediate issue the airports are facing, and nobody knows how it is going to be paid for.

I would urge caution before tapping the AIP, the Airport Improvement Program to pay for that. Historically, FAA has spent about a little over $50 million a year on security. In 2002, that jumped to a half a billion. That is not sustainable if we are also going to deal with capacity and safety.

And finally, on safety, I think Administrator Blakey's statement speaks eloquently and very clearly to this. It is amazing, until the recent Air Midwest crash in Charlotte, there had not been a fatal accident, a commercial aviation accident in the United States in 14 months. I would add that, while progress has been made this past

year in aviation safety, the risk of aviation accidents due to operational errors and runway incursions still needs work. Progress has been made there. They have declined, but they remain much too high.

For a frame of reference: Once every 10 days, a collision on the ground or in the air is very narrowly averted in this country.

The administrator pointed out also, they have increased surveillance at financially distressed carriers. I see the need for that continuing for sometime. We plan audit work to stay on top of it. A word of caution here. We have seen some shifts in who does the maintenance on airlines, some shifts to outsourcing at repair stations. I would urge FAA to make sure that in their stepped-up oversight of the industry, that they also step up oversight of these outside repair stations that are performing an increased amount of maintenance.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF HON. KENNETH M. MEAD, INSPECTOR GENERAL, DEPARTMENT OF TRANSPORTATION

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to testify on reauthorization of the Federal Aviation Administration (FAA). We look forward to working with Administrator Blakey, who I believe will be a fine Administrator, especially with the safety background she brings from the National Transportation Safety Board. Also, like former Administrator Garvey, she has a 5-year term, a reform established by the Congress to bring stability and continuity in leadership. Before this reform, the average tenure of an FAA Administrator was about 18 months. Stability in FAA's leadership will be essential in addressing the formidable challenges facing FAA today. Administrator Blakey will require substantial support from the Congress and the Administration to address them.

Reflecting on the past 5 years, stability in leadership contributed materially to what we consider a sustained and improved focus on safety and an overall good safety record, successfully managing the Y2K computer problem, obtaining a clean opinion on agency-wide financial statements, bringing new Free Flight controller tools on-line, deploying the Display System Replacement on time and within budget, expeditiously shutting the system down safely on September 11th, improving communications links with the Department of Defense since September 11th, and setting in motion required actions to prevent a repeat of the summer of 2000 when the aviation system experienced unprecedented delays, flight cancellations, and near gridlock.

Today, there are four central issues that need to be considered in FAA's upcoming reauthorization: (1) making FAA a performance-based organization by controlling the costs of its operations and cost growth in major acquisitions; (2) building aviation system capacity and more efficient use of airspace to prevent a repeat of the summer of 2000; (3) striking a balance on how airport funds will be used for aviation system capacity, airport safety, and security; (4) aviation safety as FAA's top priority.

Major Improvements Are Needed to Position FAA as a Performance-Based Organization

In 1996, FAA was given two powerful tools-personnel reform and acquisition reform. FAA was also directed to establish a cost accounting system so that it would know, at the facility level, where it was spending money and for what. The expectation was that by relieving the agency from government rules and establishing a cost accounting system, FAA would operate more like a business—that is, services would be provided to users cost effectively and air traffic control modernization programs would be delivered approximately on time and within budget. In the Aviation Investment and Reform Act for the 21st Century (AIR–21), Congress took additional steps to make FAA more business-like by reorganizing Air Traffic Control's management structure and establishing a Chief Operating Officer position.

Seven years later, we do not see sufficient progress toward achieving those outcomes. The growth in FAA's budget—from about $8.2 billion in Fiscal Year (FY)

1996 to $14 billion in FY 2004 represents an increase of $5.8 billion. About one-third of this increase is attributable to higher authorized amounts for airport funding. However, during this period, we have seen large increases in workforce costs, as well as cost overruns and schedule slips in major acquisitions. Continued growth in those categories of that magnitude is unsustainable, given the fiscal situation and multibillion-dollar declines in projected Aviation Trust Fund receipts. FAA cannot assume that a robust stream of Trust Fund receipts or other revenue will be available to cover its cost growth. In fact, current estimates show that over the next 4 years, Trust Fund tax receipts are expected to be more than $10 billion less than projections made in April 2001.

We do not believe the answer to cost growth at FAA lies in an increase in taxes, fees, or other charges. Most airlines are in extreme financial distress, and passengers already pay a significant amount in taxes, fees, and charges—nearly 26—percent of a $100 non-stop ticket goes to taxes and fees; a $200 single-connection round trip ticket includes about $51 or 26 percent in taxes and fees. Just like the airlines have had to rethink the basics of their business, FAA also must re-examine how it does business. FAA needs to redouble its efforts to become performance based in deeds as well as in words. This, in our opinion, is a primary challenge facing FAA and ought to be a major focus of the upcoming reauthorization.

To date, the most visible results of personnel reform are soaring workforce costs and significantly higher salaries. While during this period there has been improved labor/management relations with controllers (FAA's largest workforce), FAA's operations budget, which is mostly payroll, has increased 65 percent or $3 billion. The average base salary for fully certified controllers has risen to over $106,000—a 47 percent increase over the 1998 average of $72,000. Because of collective bargaining agreements, only about 36 percent of FAA employees receive pay increases based on individual performance, and the remainder of FAA employees receive largely automatic pay increases.

We also found that there are somewhere between 1,000 and 1,500 side bar agreements or Memorandums of Understanding (MOUs) that FAA managers have entered into. Many serve legitimate purposes, but MOUs can add millions to personnel costs. However, FAA management does not know the exact number or nature of these agreements, there are no established procedures for approving MOUs, and their cost impact on the budget has not been analyzed. We briefed Administrator Blakey of our concerns regarding MOUs, and we are working with the Administrator and her staff to address this issue.

Acquisition reform results have been mixed—contracts are awarded more expeditiously, and FAA's "build a little, test a little" approach has clearly avoided failures on the scale of the multibillion-dollar Advanced Automation System acquisition. In addition to progress with Free Flight Phase 1, FAA has deployed systems such as the Display System Replacement (new controller displays for en route facilities) and the initial phase of HOST (computer that receives, processes, and tracks aircraft movement throughout domestic and en route airspace) on time and within budget. But the bottom line is that significant schedule slips for major air traffic control acquisitions and substantial cost growth are all too common. For example, the Standard Terminal Automation Replacement System (STARS) (new controller displays and computer equipment for terminal facilities) has slipped at least 4 years, and the Wide Area Augmentation System (WAAS) (a new satellite-based navigation system) has slipped 5 years. Moreover, five major projects we track have experienced cost growth of $3 billion-the equivalent to a full year's budget for modernization.

As for FAA's Cost Accounting System (CAS), it was to be completed by 1998 at a cost of $12 million. However, after over 6 years of development and a price tag of $38 million, FAA is now planning to complete its CAS by September 2003, assuming no further slippage. Additionally, we found that in two of the five lines of business where the CAS has been implemented, problems exist such as not allocating costs to individual facilities, which limit the system's usefulness. A CAS is essential for setting benchmarks and measuring performance, and it would help greatly in determining how many controllers we need and where we need them. This is important given projections of controller retirements.

Regarding the 2000 FAA reauthorization reforms, these reforms established the position of Chief Operating Officer and an Air Traffic Control (ATC) Subcommittee, which was empowered to, among other things, approve budgets, strategic plans, and plans for improving the safety and modernization of the ATC system. The Chief Operating Officer position has never been filled, and the ATC Subcommittee has not fulfilled its charter. The reauthorization process offers an opportunity to rethink the powers and responsibilities of the ATC Subcommittee in terms of how it will fit within the FAA organizational structure, what it can realistically be expected to do, and how it will interface with the current powers and duties of the Administrator.

We understand the Subcommittee is currently working to develop performance metrics. One series of metrics, in our opinion, should include cost control metrics and the extent to which acquisitions are brought in on time and within budget.

Now, I would like to briefly discuss capacity, airport improvement funds, and safety.

Building Aviation System Capacity and More Efficient Use of Airspace to Prevent a Repeat of the Summer of 2000

FAA needs to be strategically positioned for when demand returns through a combination of new runways, better air traffic management technology, airspace redesign, and greater use of non-hub airports; it would be shortsighted to do otherwise. FAA's Operational Evolution Plan (OEP) is the general blueprint for enhancing capacity. It was a good plan, but it has been impacted by September 11th and the financial condition of the airlines. Given the slowdown in travel, now is a good time to determine exactly what is needed.

FAA is working to retool the OEP. FAA needs to synchronize the OEP with FAA's budget, set priorities, and address uncertainties with respect to how quickly airspace users will equip with new technologies. It also needs to ensure the costs associated with multibillion-dollar modernization projects not in the OEP are considered when establishing priorities and are integrated with OEP initiatives. It is a good time to rethink what reasonably can be accomplished over the next 3 to 5 years.

Striking a Balance Between How Airport Funds Will Be Used to Pay for Security and Capacity

A major issue for airports is funding the next phase of explosives detection systems (EDS) integration. Thus far, nearly all EDS equipment has been lobby-installed. The Transportation Security Administration's (TSA) planned next step (integrating the EDS equipment into airport baggage systems) is by far the most costly aspect of full implementation. The task will not be to simply move the machines from lobbies to baggage handling facilities but will require major facility modifications. We have seen estimates that put the costs of those efforts at over $3 billion, and this is an almost immediate issue facing the airports.

A key question is who will pay for those costs and how. While the current Airport Improvement Program (AIP) has provided some funding in the past for aviation security, we urge caution in tapping this program until FAA has a firm handle on airport safety and capacity requirements. In FY 2002, airports used over $561 million of AIP funds for security-related projects. In contrast, only about $56 million in AIP funds were used for security in FY 2001. Continuing to use a significant portion of AIP funds and passenger facility charges (PFCs) on security projects will have an impact on airports' abilities to fund capacity projects.

Safety As FAA's Top Priority

The U.S. air transport system is the safest in the world, and safety remains the number one priority for FAA. Until the recent Air Midwest crash in Charlotte, there had not been a fatal commercial aviation accident in the United States in 14 months.

Progress has been made this past year in reducing the risk of aviation accidents due to operational errors and runway incursions, but both remain much too high. Operational errors and runway incursions should remain an area of emphasis for FAA because at least three serious operational errors and one serious runway incursion (in which collisions on the ground were narrowly averted) occur, on average, every 10 days.

In the current financially-strapped aviation environment, FAA must remain vigilant in its oversight to sustain a high level of aviation safety. As the Administrator's testimony states, FAA has increased surveillance at financially distressed air carriers. FAA has recognized the need and taken steps to heighten surveillance. We see the need for heightened surveillance continuing for some time to come and plan audit work to stay on top of this.

Additionally, we are encouraged by the Administrator's commitment to programs such as Flight Operational Quality Assurance (FOQA). FOQA provides objective, quantitative data on what occurs during flight rather than what is subjectively reported by individuals. FAA could use these data to identify safety trends and accident precursors.

A word of caution: FAA needs to pay close attention to the level of oversight it provides for repair stations. In the past 5 years, there has been a significant increase in air carriers' use of these facilities. In 1996, major air carriers spent $1.6 billion (37 percent of their total maintenance costs) for outsourced aircraft maintenance. Whereas, in 2001, the major air carriers outsourced $2.9 billion (47—percent of their total maintenance costs). FAA needs to consider this shift in maintenance

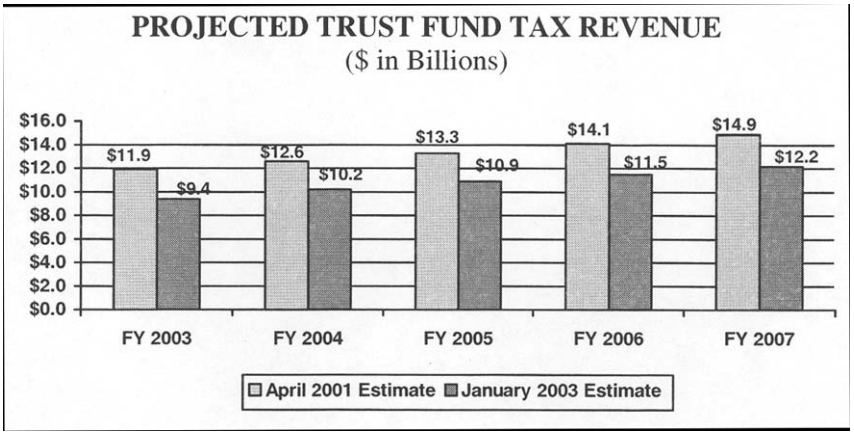
practices when planning its safety surveillance work. We are now completing a review of FAA oversight of repair stations.

Introduction

The aviation landscape has changed dramatically since FAA was last reauthorized. Airlines were in much better financial shape, the Trust Fund had collected more tax revenue than ever before, and future estimates projected even higher revenues coming in. Two years ago, we were focused on alleviating aviation gridlock and airline delays, and improving customer service—all of these issues are now on the back burner.

Today, reauthorizing FAA programs has to be viewed against the backdrop of the financial health of the industry, the decline in travel, and how airlines are revamping operations. Two large network carriers have entered into bankruptcy, and others are taking steps to avoid similar courses. Overall, domestic enplanements were down nearly 18 percent in November 2002 compared to November 2000.

As a result of the slow economy and the decline in air travel, there has been a significant decrease in tax revenues coming into the Trust Fund. Projected tax revenue from the Aviation Trust Fund for FY 2004 has dropped from approximately $12.6 billion estimated in April 2001 to about $10.2 billion estimated in January 2003. Current estimates show that over the next 4 years (FY 2004 through FY 2007) Aviation Trust Fund tax revenues are expected to be about $10 billion less than projections made in April 2001.



Although revenues to pay for FAA's programs have fallen dramatically, FAA's costs have not. FAA's budget has increased nearly $6 billion over the past 7 years-escalating from $8.2 billion in FY 1996 to $14 billion in FY 2004. About one-third of this increase is attributable to higher authorized amounts for airport funding. However, during this period, we have seen large increases in workforce costs, as well as cost overruns and schedule slips in major acquisitions.

AIR–21 gives priority to FAA's Airports and Modernization accounts by requiring that revenue from the Trust Fund be allocated to those accounts before allocating any revenue to FAA's operating budget. For example, as shown in the following chart, the difference between revenues and FAA's operating budget came from the General Fund.

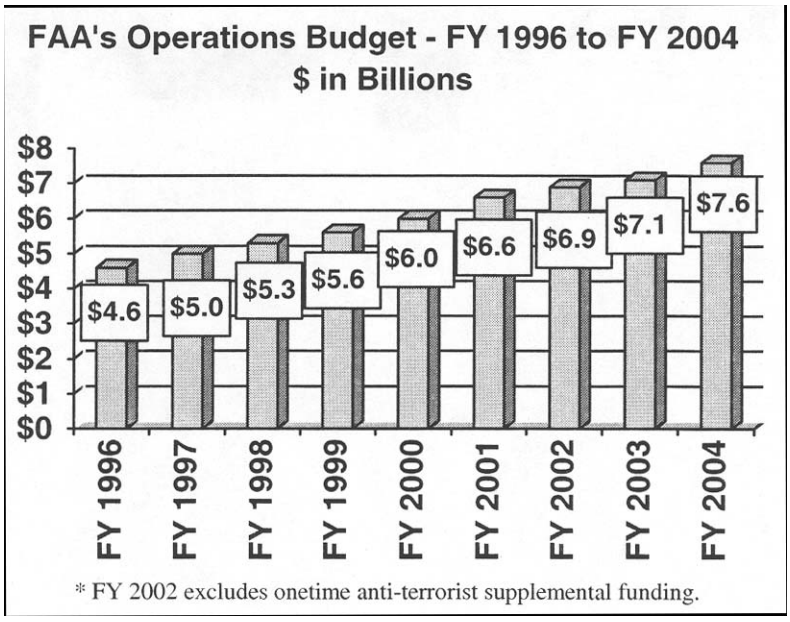
General Fund Contribution for FY 2003 ($ in Billions)

	FY 2003
Estimated Trust Fund Contribution	$10.3
Less Airport Funding	($3.4)
Less Modernization	($3.0)
Less Research and Development	($0.1)
Residual Trust Fund Revenues Available for Operations	$3.8
Operations Budget	$7.1
Difference (Amount from the General Fund for Operations)	$3.3

For FY 2004, FAA's budget request of $14 billion exceeds projected Trust Fund revenues by over $3 billion. Assuming no new taxes, this shortfall will have to be made up either by drawing down the uncommitted balance of the Trust Fund or tapping the General Fund.

Making FAA a Performance-Based Organization Through Controlling Costs in Operations and Major Acquisitions

Controlling Operating Costs. Although Congress envisioned that personnel reform would result in more cost-effective operations, this has not occurred. Since 1996, FAA's operating costs have increased substantially. As shown in the following graph, FAA's operations budget, which is 82 percent payroll costs, has increased from $4.6 billion in FY 1996 to $7.6 billion in FY 2004—an increase of over 65 percent. Given the decline in Aviation Trust Fund revenues and the financial situation of the airlines, a continuation of this growth can no longer be sustained.



Much of the increase in operations costs has been a result of salary increases from collective bargaining agreements negotiated under FAA's personnel reform authority. The 1998 collective bargaining agreement with the National Air Traffic Controllers Association (NATCA), which created a new pay system for controllers, was a significant cost driver. Under the agreement, controllers' salaries increased substantially. For example,

- The *average* base salary for fully certified controllers has now risen to over $106,000—a 47 percent increase over the 1998 average of about $72,000 (as shown in the table below). This compares to an average salary increase for all other FAA employees during the same period of about 32 percent, and for all Government employees in the Washington, DC area of about 30 percent.

Average Base Salaries for FAA Employees

Average Base Salary (Including Locality)	Fully Certified Air Traffic Controllers	Non-Controller FAA Employees
2003	$106,580 (after 4.9 percent increase)	$78,080
1998	$72,580	$59,200
Percentage Increase From 1998 to 2003	46.8	31.9

When premium pays (such as overtime and Sunday pay) are added, controllers' total salaries can be substantially higher. For example,

- The 10 highest paid air traffic controllers in calendar year (CY) 2002 earned between $192,000 and $214,000. In fact, over 1,000 controllers earned over $150,000 in CY 2002 (approximately 6.7 percent of the controller workforce). That number compares to only 65 controllers that earned over $150,000 in 2000 (approximately 0.4 percent of the controller workforce).

Following the NATCA agreement, other FAA workforces began organizing into collective bargaining units including employees from the Office of Chief Counsel, Office of Financial Services, and Office of Airports. Today, FAA has 48 collective bargaining units as compared to 19 collective bargaining units in 1996.

The dramatic increase in bargaining units has complicated FAA's plans for fielding its agency-wide compensation system (created in April 2000), because FAA's 1996 reauthorization requires that FAA negotiate compensation with each of its collective bargaining units. This has also complicated FAA's plans to create a link between pay and performance. The agency-wide pay system does away with automatic Government-wide pay increases, and instead is designed to provide variable pay increases based on an individual's and the agency's overall performance. However, several of FAA's collective bargaining agreements have provisions that allow for higher increases than allowed under the agency-wide pay system without considering an individual's performance. For example,

- This year under terms of the NATCA collective bargaining agreement, *all* controllers received an automatic pay increase of 4.9 percent, regardless of their individual performance. FAA provided a similar increase to all Air Traffic field managers and supervisors.
- Because of these contractual requirements, only about 36 percent of all FAA employees receive pay increases based on performance as established in the agency-wide pay system (FAA's core plan). The remainder of FAA employees receive largely automatic pay increases.

FAA has also been less than effective in managing its labor agreements. For example, outside the national collective bargaining agreement with NATCA, FAA and the union have entered into hundreds of side bar agreements or MOUs. These agreements can cover a wide range of issues such as implementing new technology, changes in working conditions and(as a result of personnel reform(bonuses and awards, all of which are in addition to base pay.

We found FAA's controls over MOUs are inadequate. For example, there is:

—no standard guidance for negotiating, implementing, or signing MOUs;

—broad authority among managers to negotiate MOUs and commit the agency;

—no requirement for including labor relations specialists in negotiations; and

—no requirement for estimating potential cost impacts prior to signing the agreement.

In addition, FAA has no system for tracking MOUs, but estimates there may be between 1,000 and 1,500 MOUs agency-wide. The total cost implications associated with these MOUs are not known. While many serve very legitimate purposes, we found several agreements that had substantial costs. For example,

- As part of the controller pay system, FAA and NATCA entered into a national MOU providing controllers with an additional cost of living adjustment. As a result, at 111 locations, controllers receive between 1 and 10 percent in "Controller Incentive Pay," which is in addition to Government-wide locality pay. In FY 2002, the total cost for this additional pay was about $27 million.

We reviewed a number of MOUs that were not cost-effective and, in our opinion, neither necessary nor in the best interest of the Government. For example,

- One MOU we reviewed allows controllers transferring to larger consolidated facilities to begin earning the higher salaries associated with their new positions substantially in advance of their transfer or taking on new duties. At one location, controllers received their full salary increases 1 year in advance of their transfer (in some cases going from an annual salary of around $54,000 to over $99,000). During that time, they remained in their old location, controlling the same air space, and performing the same duties.

We have briefed Administrator Blakey on our concerns regarding MOUs, and we are working with the Administrator and her staff to address this issue.

Improving Management of Major Acquisitions. FAA spends almost $3 billion annually on a wide range of new radars, satellite-based navigation systems, and communication networks. Historically, FAA's modernization initiatives have experienced

cost increases, schedule slips, and shortfalls in performance. While progress has been made with Free Flight Phase 1, problems persist with other major acquisitions.

In 1996, Congress exempted FAA from Federal procurement rules that the agency said hindered its ability to modernize the air traffic control system. Now, after nearly 7 years, FAA has made progress in reducing the time it takes to award contracts, but acquisition reform has had little measurable impact on bottom line results—bringing large-scale projects in on time and within budget. The following chart provides cost and schedule information on five projects largely managed since FAA was granted acquisition reform.

Program	Estimated Program Costs (Dollars in Millions)		Percent Cost Growth	Implementation Schedule	
	Original	Current		Original	Current
WAAS	$892.4	$2,922.4*	1227	1998–2001	2003–TBD**
STARS	$940.2	$1,690.2**	80	1998–2005	2002–TBD**
ASR–11	$752.9	$916.2	22	2000–2005	2003–2008
WARP	$126.4	$152.7	21	1999–2000	2002–2003
OASIS	$174.7	$251.0	44	1998–2001	2002–2005

*This includes the cost to acquire geostationary satellites and costs are under review.
**Costs and schedules are under review.

These five acquisitions have experienced cost growth of over $3 billion and schedule slips of 3 to 5 years. Problems with cost growth, schedule slips, and performance shortfalls have serious consequences—they result in costly interim systems, a reduction in units procured, postponed benefits (in terms of safety and efficiency), or "crowding out" other projects.

For example, STARS, which commenced operations at Philadelphia this past year, has cost FAA more than $1 billion since 1996. Most of these funds were spent on developing STARS, not delivering systems. When the STARS development schedule began slipping, FAA procured an interim system, the Common Automated Radar Terminal System (Common ARTS) for about $200 million. FAA is now operating Common ARTS (software and processors) at approximately 140 locations.

Moreover, in FY 2002 alone, FAA reprogrammed over $40 million from other modernization efforts (data link communications, oceanic modernization, and instrument landing systems) to pay for cost increases with STARS. As a result of these cost and schedule problems, FAA officials have proposed scaling back the program from 182 systems for $1.69 billion to a revised estimate of 73 systems for $1.33 billion. No final decision has been made, and FAA is currently reevaluating how many STARS systems it can afford.

Several other modernization projects are experiencing setbacks. The Integrated Terminal Weather System, or "ITWS" provides air traffic managers with a 20-minute forecast of weather conditions near airports. FAA planned to complete deployment of all 38 systems by 2004 at a cost of about $286 million, but production costs have tripled from $360,000 to $1.1 million per system. FAA cannot execute the program as intended and, absent additional funding, will defer adding several planned improvements and may procure fewer systems than intended.

In addition, FAA intended to have the Local Area Augmentation System (Category I)—a new precision approach and landing system—in operation in 2004. It is now clear that this milestone cannot be met because of additional development work, evolving requirements, and unresolved issues regarding how the system will be certified as safe for pilots to use. Moreover, the more demanding Category II/III services (planned for 2005) are now a research and development effort with an uncertain end state. This means that benefits associated with the new precision approach and landing system will be postponed.

Our work has also found that FAA has not followed sound business practices for administering contracts. We have consistently found a lack of basic contract administration at every stage of contract management from contract award to contract closeout. For example, we found that Government cost estimates were:

—prepared by FAA engineers, then ignored;
—prepared using unreliable resource and cost data;
—prepared by the contractor (a direct conflict of interest); or
—not prepared at all.

FAA has stated that it will take actions to address these concerns—the key now is follow through.

In addition to strengthening contract oversight, FAA needs to develop metrics to assess progress with major acquisitions, make greater use of Defense Contract Audit Agency audits, and institute cost control mechanisms for software-intensive contracts. With schedule slips and cost overruns in major acquisitions, it should be noted that FAA is not getting as much for its $3 billion annual investment as it originally expected.

Tracking Costs. An effective cost accounting system is fundamental to measuring the cost of FAA activities and provides the basis for setting benchmarks and measuring performance. It represents the underpinning for FAA's operation as a performance-based organization through the development of good cost information for effective decision-making. The 1996 Reauthorization Act for FAA required the agency to develop a cost accounting system. However, after over 6 years and $38—million, FAA is now planning to complete its CAS by September 2003, assuming no further slippage. Additionally, we found that in two of the five lines of business where the CAS has been implemented, problems exist such as not allocating costs to individual facilities, which limit the system's usefulness.

To have a credible cost accounting system and to effectively measure employee productivity, FAA needs an accurate labor distribution system. Cru-x is the labor distribution system FAA chose to track hours worked by air traffic employees (FAA's largest workforce). However, in September 2002, FAA and NATCA entered into an MOU that significantly reduced the system's ability to track employee productivity. Specifically, the MOU eliminated the requirement for controllers to sign in or out, and Cru-X was not programmed to identify or assign the time controllers spend on collateral activities when not controlling air traffic. We brought this issue to the attention of the Administrator, and she directed that appropriate internal controls be incorporated into the Cru-X labor distribution system.

Building Aviation System Capacity and More Efficient Use of Airspace to Prevent a Repeat of the Summer of 2000

FAA needs to be strategically positioned for when demand returns through a combination of new runways, better air traffic management technology, airspace redesign, and greater use of non-hub airports; it would be shortsighted to do otherwise. FAA estimates that air traffic (measured in terms of operations) will return to its pre-September 11th growth pattern between 2005 and 2007. FAA's OEP is the general blueprint for increasing capacity. As currently structured, the plan includes over 100 different initiatives (including airspace redesign initiatives, new procedures, and new technology) and is expected to cost in the $11.5 to $13 billion range, excluding the costs to build new runways, but the true cost of implementing the plan is unknown. FAA estimates the plan will provide a 30 percent increase in capacity over the next 10 years assuming all systems are delivered on time, planned new runways are completed, and airspace users equip with a wide range of new technologies.

While airspace changes and new controller automated tools will enhance the flow of air traffic, it is generally accepted that building new runways provides the largest increases in capacity. The OEP now tracks 12 runways scheduled for completion in the next 10 years. Four of the runway projects are expected to be completed in 2003 at Denver, Houston, Miami, and Orlando airports. However, construction on several other airports has been delayed from 3 months to 2 years. FAA needs to continue to closely monitor new runway projects, (see Attachment).

Progress has been made with OEP initiatives, but much uncertainty exists about how to move forward with systems that require airlines to make investment in new technologies. FAA and the Mitre Corporation estimate the OEP would cost airspace users $11 billion to equip with new technologies. For example, FAA and Mitre estimate the cost to equip a single aircraft with Automatic Dependent Surveillance-Broadcast ranges from $165,000 to almost $500,000, and the cost for Controller-Pilot Data Link Communications ranges from $30,000 to $100,000 exclusive of the cost to take the aircraft out of revenue service.

FAA is working to retool the OEP. FAA needs to synchronize the OEP with FAA's budget, set priorities, and address uncertainties with respect to how quickly airspace users will equip with new technologies. It also needs to ensure the costs associated with multibillion-dollar modernization projects not in the OEP are considered when establishing priorities and are integrated with OEP initiatives.

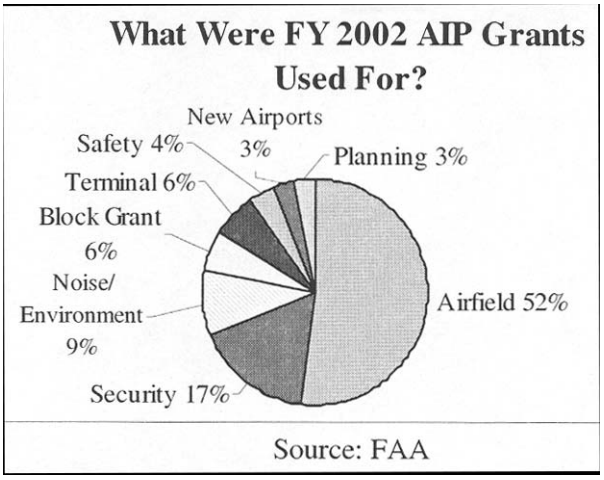
It is a good time to rethink what reasonably can be accomplished over the next 3 to 5 years, and what will be needed by FAA and industry given the decline in Trust Fund revenue and the financial condition of the airlines. According to the Associate Administrator for Research and Acquisition, it is likely that the OEP will shift from a plan that relied heavily on airspace users to equip their aircraft to one that places greater emphasis on airspace changes and procedural changes that take

advantage of equipment already onboard aircraft. FAA has an opportunity to set priorities, flesh-out benefits, adjust to a changing business model, and develop a reasonable path for moving forward with the OEP before system-wide capacity problems return.

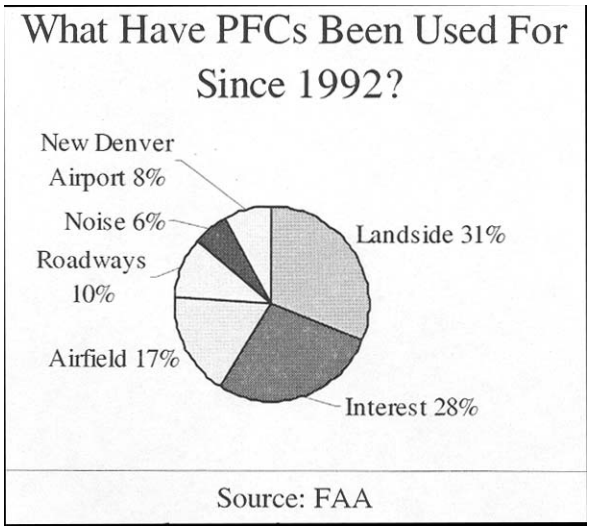
Striking a Balance Between How Airport Funds Will Pay for Capacity and Security Initiatives

A major issue for airports is funding the next phase of EDS integration. Thus far, nearly all EDS equipment has been lobby-installed. TSA's planned next step (integrating the EDS equipment into airport baggage systems) is by far the most costly aspect of full implementation. The task will not be to simply move the machines from lobbies to baggage handling facilities but will require major facility modifications. We have seen estimates that put the costs of those efforts at over $3 billion, and this is an almost immediate issue facing the airports.

A key question is who will pay for those costs and how. While the current AIP has provided some funding in the past for aviation security, we urge caution in tapping this program until we have a firm handle on airport safety and capacity requirements. In FY 2002, airports used over $561 million of AIP funds for security-related projects. In contrast only about $56 million in AIP funds were used for security in FY 2001. Continuing to use a significant portion of AIP funds on security projects will have an impact on airports' abilities to fund capacity projects. The following chart shows how AIP funds were used and for what type of project in FY 2002.



AIP funds as well as passenger facility charges (PFCs) are eligible sources for funding this work. However, according to FAA, PFCs are generally committed for many outlying years and it would be difficult, requiring considerable coordination among stakeholders (i.e. airports and airlines), to make adjustments for security modifications at this point. The following chart shows how PFC funds have been used since 1992.



There have also been proposals to raise the cap on PFCs; however, we urge caution before adding additional fees or taxes for air travel. Consumers already pay a significant amount in aviation taxes and fees. For example, a $100 non-stop round trip ticket includes approximately $26 (26 percent) in taxes and fees. Put differently, the airlines receive approximately $74 and the government and airports get $26. A $200 single-connection round trip ticket includes approximately $51 (26 percent) in taxes and fees. Here the airline gets approximately $149 and the government and airports get $51.

Aviation Safety As FAA's Top Priority

The U.S. air transport system is the safest in the world and safety remains the number one priority for FAA. Until the recent Air Midwest crash in Charlotte, there had not been a fatal commercial aviation accident in the United States in 14 months.

Progress has been made this past year in reducing the risk of aviation accidents due to operational errors and runway incursions. Operational errors (when planes come too close together in the air) and runway incursions (potential collisions on the ground) decreased by 11 percent and 17 percent, respectively, in FY 2002. Notwithstanding these improvements, operational errors and runway incursions should remain an area of emphasis for FAA because at least three serious operational errors and one serious runway incursion (in which collisions were narrowly averted) occur, on average, every 10 days.

In the current financially-strapped aviation environment, FAA must remain vigilant in its oversight to sustain a high level of aviation safety. Currently, airlines are restructuring and changing the way they operate. For example, carriers are standardizing their aircraft fleet (e.g., parking older aircraft), using aircraft repair stations to complete more of their maintenance work, and relying on internal flight operational quality assurance programs to reduce costs and increase safety. FAA has systems in place to closely monitor air carriers' operations, such as aircraft maintenance, once an airline has declared bankruptcy. As the Administrator's testimony states, FAA has increased surveillance at these carriers based on analysis of inspectors' observations and industry databases.

Additionally, we are encouraged by the Administrator's commitment to programs such as Flight Operational Quality Assurance (FOQA). FOQA provides objective, quantitative data on what occurs during flight rather than what is subjectively reported by individuals. FAA could use these data to identify safety trends and accident precursors.

A word of caution: FAA needs to pay close attention to the level of oversight it provides for repair stations. In the past 5 years, there has been a significant increase in air carriers' use of these facilities. In 1996, major air carriers spent $1.6 billion (37 percent of their total maintenance costs) for outsourced aircraft maintenance. Whereas, in 2001, the major air carriers outsourced $2.9 billion (47 percent

of their total maintenance cost). FAA needs to consider this shift in maintenance practices when planning its safety surveillance work.

That concludes my statement Mr. Chairman. I would be pleased to address any questions you or other Members of the Committee might have.

Status of Major Runway Projects as of February 2003
(Information Provided by FAA and Airports)

Airport	Estimated Completion Date	Phase(s)	Cost Estimate (Millions)	Challenges to Timely Completion (as provided by the airport)
Miami	2003	Construction	$206	✓ Acceptability of runway procedures for simultaneous operations on closely spaced parallel runways (800 feet in this case).
Orlando	2003[1]	Construction	$222	✓ Construction weather delays.
Houston	2003[2]	Construction	$267	✓ None cited.
Denver	2003	Construction	$169	✓ None cited.
Minneapolis	2004[3]	Construction	$510	✓ Construction weather delays. ✓ Contractor ability to carry large bonds and complete existing contracts on time after unexpected accidents, labor actions, work force problems, and material shortages.
Cleveland	Phase 1: Completed Opened Dec. 12, 2002 2004 (Phase 2)	Construction	$230 $211	✓ Relocation of major primary road. ✓ Relocation of NASA facilities with associated landfills. ✓ Mitigation for major creek.
Cincinnati	2005	Environmental	$246	✓ Timely land acquisition.
Atlanta	2006[4]	Construction	$1,284	✓ Obtaining fill material for the runway. ✓ Local authorities' relocation of existing road, utilities, and NAVAIDs. ✓ FAA funding and installation of NAVAIDs. ✓ FHWA and Georgia DOT design concurrence on runway support structures for the runway portion that extends over I-285.
Boston	2006[5]	Environmental	$100	✓ Public and political opposition, including lawsuits from opposing groups and organizations. ✓ Maintaining current operations during construction. ✓ Availability of NAVAIDS.
St. Louis	2006	Construction	$1,100	✓ None cited.
Dulles	2007	Environmental	$155	✓ Obtaining waiver from FAA for 4,000 ft. separation from parallel runway.
Seattle	2008[6]	Environmental and Construction	$773 - $948	✓ U.S. Army Corps of Engineers permit for wetland fills. ✓ Pending citizen lawsuits.

[1] Orlando's runway completion date slipped from August to October 2003 because of reduced revenues and the economic downturn.
[2] Houston has slipped the runway completion date from April to October 2003 because of construction difficulties associated with a landfill.
[3] Minneapolis has slipped its completion date by a year from 2003 to 2004 because of the economic impacts.
[4] Atlanta slipped the runway completion date by one year to May 2006 from May 2005 due to lawsuits related to the fill dirt.
[5] Boston has slipped the runway completion date from December 2005 to April 2006.
[6] Seattle moved its deadline from November 2006 to November 2008 due to environmental concerns.

The CHAIRMAN. Well, thank you very much, Mr. Mead.

I guess I would like to start my questioning by noting, as you did at the end of your statement, that it was 14 months before the Air Midwest tragedy in Charlotte, and that is a very impressive record, and so I think when we look at the big picture aspects of aviation safety we can be encouraged, but I think, Mr. Mead, you raise some very serious issues.

First of all, on the MOUs, Ms. Blakey, obviously you have got a problem there. If I were you, I would appoint a little group to get that under control, and I say that in the context of a $5.8 billion increase in FAA funding since 1996. I do not think you are going to see commensurate increases in funding.

As Mr. Mead points out, a large amount of those increases has been to workforce costs. You are going to have to get the workforce costs under control, and we recognize the strain, the efficiency, and the incredible talent that is required to handle air traffic, especially in major parts of the country. Everyone is aware of that, but you are going to have to get that under control.

I hope that the debacle concerning the cost accounting system is not symptomatic of the way you are getting things under control. To put in a cost accounting system, there obviously has been no accounting of the work that was done to put in place a cost accounting system. Would you agree?

Ms. BLAKEY. Well, I come at this from a little bit different perspective from the Inspector General, because, having served in five different Government agencies, I will tell you the truth, there are very few cost accounting systems out there, period. So I will say this——

The CHAIRMAN. Well, but you certainly did not contemplate a cost from 12 million to 38 million, and still not have it done yet.

Ms. BLAKEY. We are going to get it done. I will tell you, that the two lines of business, we have involved right now are about 75 percent of the workforce. We really are covering a large waterfront right now, and I think we have got to get it right.

One of the things I want to do is work with the Inspector General's office to make sure that as we mesh this with the overall financial system for the Department, and then as we begin to use this data—because you know, cost accounting is only so good as you are actually then are letting it drive your decisions. I think that is really where we need a good bit of help still, so I will tell you that it is a work in progress, but we will get it done, and certainly by 2004, which is further out than I would like, but we will make that.

The CHAIRMAN. Thank you.

Now, Mr. Mead, let us talk about the most pressing issue here, and that is this disparity between the funding that is necessary for aviation security, including funding TSA, and the amount of revenue, and I believe you testified last week before Senator Lott that there was like, a $3.5 billion shortfall, is that correct?

Mr. MEAD. Yes. When the security act was passed, sir, Congress enacted a number of fees, and you cannot tell exactly from the legislative record, but I think Congress probably thought that they were establishing fees that would cover a very substantial part of the price tag, and we are going to end up getting about $2 billion in fees. The rest is being made up of appropriated funds at the present time, and the point we were discussing last week and I highlighted in my testimony today is this explosive detection machine price tag, which, as I said, is at least $3 billion, and where that money is going to come from.

The CHAIRMAN. Over a 1-year period?

Mr. MEAD. Well, actually the law said that—the law really established a sense of urgency. I think everybody knows about the December 31 date. I think the Department did everything possible to get to the December 31 date, but we all know the end state on these explosive detection machines is to have them integrated into the baggage system, not stuck around lobbies everywhere.

In fact, if you were going to screen luggage in the lobby, you would not have room to walk in some of these airports. So I am concerned that, given the urgency that we all have to install these in the baggage systems, that we come to an early resolution of how we are going to pay for them, and that we not just go along thinking that the other guy is going to pay, because that is not going to happen, and the security is important.

I have reservations, myself—I am certainly not speaking for the administration—about tapping that Aviation Improvement Program fund to any consequential degree. I think it is reasonable that there be an uptick in the amount that the AIP pay over and above the $50 million or so that it has been paying over the years, but I would be very, very careful about getting too deep into it.

The CHAIRMAN. This $3 billion is not in the President's budget, right?

Mr. MEAD. No, the $3 billion, people have not decided yet how they are going to pay for the integration of these machines into the baggage systems.

Senator LOTT. Would you allow me to join in this discussion?

The CHAIRMAN. Please.

Senator LOTT. Do you have any recommendations on how we deal with that? Really, we have two choices, or three. I think Senator McCain talked about this last week. (1) We are going to have to scale down what we are willing to spend, or what is going to have to be spent in these areas, or (2) we are going to have to come up with more money, and there is a limited number of ways you can do that, increase ticket fees, which is not going to happen. The airlines have to, or the airports will have to eat it, which they are already under severe pressure, both of them, or we are going to have to take it out of the general fund. Or is there another idea?

Mr. MEAD. I have one I would like to put on the table. I would establish a capital fund. You might call it a revolving fund of sorts, and into that capital fund, I would dedicate moneys for the installation of these machines, and the revenue stream for that capital fund, that is, how you would fund it, would come from multiple sources. I would take some from AIP, a reasonable amount. I would take some from the security fee that has already been established, and the remainder from general funds.

The CHAIRMAN. By fees, you are saying PFC's?

Mr. MEAD. No, I was not saying PFC's. This is another thing they established. You established a security fee. It is not called a PFC. I think the maximum is about $10 on a round-trip flight, and general appropriations, and I would feed that money into this capital fund. It would provide a stable funding source.

I think I would have the management of that fund comprised of some representatives of the airport community, FAA, and probably the Transportation Security Administration, which would be over at DHS, but you are going to have to have a stable funding source,

and it is going to have to have $3 or $4 billion in it, and I think the outlay—the $3 billion I would say is probably going to go out over the next couple of years, if we keep the accelerator to the floor, as we should, on integrating the explosive detection machines into the baggage systems.

The CHAIRMAN. So this would clearly be a part of the reauthorization bill the Fed is setting up, some kind of a revolving fund, or something along the lines you are talking about?

Mr. MEAD. Clearly.

Senator LOTT. Moving these explosive detection machines into the baggage area, is that something that is needed or required technologically, or is it for aesthetic or convenience sake? So, they are in the lobby. I mean, we are dealing with security here, and it may be a little inconvenient, but is there an urgency to this?

Mr. MEAD. At smaller airports, Senator Lott, the lobby approach will work. At your big airports, you do not have enough machines out there right now to screen 100 percent of the baggage through them, and the only place you can do that efficiently is by putting them into the baggage system. That is pretty much what they have done in Europe.

The CHAIRMAN. This brings up another question. Is there any technology on the boards that reduce the size of these machines and make, perhaps, us able to do this task without the present-day technology?

Mr. MEAD. Well, some of these issues on the technology would be more appropriately discussed in a closed session, but what we have out there now is what we are going to have for about the next 2 or 3 years.

There is the trace technology. I do not know if you are familiar with that. That is the much smaller machines when you go and somebody takes a swab and they swab your bag.

The CHAIRMAN. I have had it many, many times, especially after they have recognized me.

[Laughter.]

Senator LOTT. Did they swab you, or just the luggage?

[Laughter.]

The CHAIRMAN. After the pat-down.

Mr. MEAD. Swabbing is part of the solution, but it is extremely labor-intensive.

Senator LOTT. You mentioned that CFO position, or chief operating position had not been filled.

Mr. MEAD. No, sir.

Senator LOTT. You did not mention something. You said that some position——

Mr. MEAD. The chief operating officer.

Senator LOTT. At FAA?

Mr. MEAD. At FAA. The Congress in AIR–21, they set up a structure. They said, okay, we have the administrator, we have the deputy administrator, and now we are going to have a chief operating officer, and they gave him a high—a pretty good salary, and then they said, there will be also something called a Management Advisory Committee that would advise the administrator that would be comprised of people in the aviation industry, and then they established something called the Air Traffic Control Subcommittee.

Senator LOTT. Who is they? Us?

Mr. MEAD. You. The Congress.

[Laughter.]

Senator LOTT. That is what I thought.

Mr. MEAD. With all respect, Senator.

Senator LOTT. Do we need a COO? What do the administrator and the deputy administrator do?

Mr. MEAD. Well, I believe that is one of the outstanding issues, sir.

The CHAIRMAN. We might consider that in the reauthorization, whether we really need that or not.

Ms. Blakey, do you have an opinion on that?

Ms. BLAKEY. Let me suggest this. The Congress and the FAA both have worked very hard on this concept of pulling together both our research and acquisition activities, and all of the operations for the National Airspace System in one organization, and the intent is very serious that it be a truly performance-based organization.

The kind of effort, business plan that needs to be developed, and private sector skills could be brought to bear on having financial management cost accounting, or as I say, labor distribution accounting that will go into this. I think a chief operating officer could be very valuable to us, and I will tell you that I have gone ahead and reengaged a search firm to look for the right person, whose driving characteristic is strong management skills, to address those very needs that the Inspector General has been pointing out this morning, so I am supportive of it as it is currently constituted.

Some changes in the legislation are needed. My predecessor, Jane Garvey, in fact, testified last summer about a number of those, and we would very much like you to consider those, but they are, if you will, technical changes, smaller changes, not setting aside the whole concept.

Senator LOTT. We would be interested in getting more information about the need for it and what you think about it, and in that connection, do you expect that we will get administration recommendations with their thoughts on the FAA reauthorization in the next 30 days?

Ms. BLAKEY. You will certainly get our recommendations. They are currently in interagency coordination, and I would very much like to get them to you quickly. I know that this spring is an opportunity for our reauthorization, and we very much want to work with you to achieve that.

Senator LOTT. I hope you would stay behind it and not let it drag out, because if you do, it would be my hope we would go forward with or without it, with the Chairman's permission.

Now, on the AIP issue and the security funds, there are costs that have come out of that. Obviously, we had extraordinary times, we took money out of that, but I am very worried about the long-term impact on the safety and improvements that we need at airports if we continue to drain that for security costs. Do you have any comment on that, Ms. Blakey?

Ms. BLAKEY. It is certainly something, I think, to have concern about, because last year, we did see a very dramatic increase in the

amount of AIP money that went for security. From the previous year level of about $56 million, $561 million went in 2002. That is an 800 percent increase. Now, obviously that would be extremely difficult to sustain over time.

I think at the FAA, we are looking at these needs as being something that are, in effect, something of a bubble, the Inspector General indicated, a 2-year, possibly a third year out there. Certainly we understand, in the current economic climate, that there have to be contributions from a variety of sources to deal with this, but I certainly would urge that the Committee look seriously at the various options on that front, because over the term there is no question that it would impact very significantly our capacity.

Mr. MEAD. I neglected to mention something in our discussion of the AIP. You know, the way the law works, if you are a big airport, it is likely that you are going to get much less AIP money under the current law, because you are allowed to charge a PFC, and it is economically sensible to do so. Well, another issue we need to worry about here is that for the very, very large airports, they do not rely on the AIP as much, and so they rely on PFCs, so if we fix the problem with the AIP, and the extent to which the drawdown would be for security, and you control that, you still have the PFC issue, that you do not want them necessarily looking to the airport and saying, well, deal with this through your PFCs.

You see, PFCs never come to the Federal Government. It is completely separate, although it is certainly authorized by federal law.

Senator LOTT. Well, I know that Senator Burns wants to ask some questions, and I see Senator Lautenberg is here. Let me just make three points that I want to emphasize to you, Ms. Blakey. I hope you will follow up on these MOUs. They have got to be brought under control. I do think we have got to continue to look at modernization. We put $30 billion for modernization in the past two decades. Have we gotten a lot of modernization for our cost? And I do think you need to look at this vision thing of where we are going to be in 10 or 20 years.

And last but not least, I presume you are going to pursue the President's budget request with regard to increased numbers of air traffic controllers, just because we have got a down slope coming in terms of air traffic controllers retiring. We have got to start getting ready for their replacements.

Thank you.

The CHAIRMAN. Senator Burns.

Senator BURNS. Thank you, Mr. Chairman. I just want to remind the Committee, I got to looking at some figures here, and the observation that the Chairman made a while ago that we cannot put another tax on anything in the airline industry to raise any more funds, and it sounds like we need some more, and then you hear about this MOU business, and I do not know whether we need more money or more supervision, but just to give you an idea, there is a 7.5 percent ticket tax, there is a $3 flight segment tax, a 6.25 tax on cargo weigh bills, 4.3 cents per gallon on commercial aviation fuel, 19.3 cents-per-gallon on general aviation gasoline, 21.8 cents-per-gallon on general aviation jet fuel. There is a $13.20 arrival tax for international, and the same when you depart, and a

7.5 percent tax on second-party sales of airline award frequent flyer miles.

I do not know where else we can go for taxes to raise any more money, when you take a look at that, and I do not know what—I do not have a clue how much revenue that raises, but it just sounds like an awful lot of money to me, and I just want to bring those figures up to remind people that we do not have a revenue problem, maybe we have an efficiency problem somewhere along the line.

On January 24, the TSA issued a direct and final rule, preapproved by the Transportation Security Oversight Board, that I believe undermines the due process and the fair rulemaking process. As issued, the TSA is in a position to be the accuser, the judge, jury, and the court of appeals when it comes to pilot certificates.

With the issuance of this new rule, the TSA can pull an airman's, or a pilot's certificate using secret criteria determining that the airman is or may pose a security risk. The pilot may appeal the decision, but can be refused the opportunity to confront his accuser or the evidence employed against him. As an agency representative who will implement this rule, number 1, do you believe this is a fair rulemaking process?

Ms. BLAKEY. This rulemaking process, of course, has been one that has been worked out between the Department of Justice, and the Department of Homeland Security, TSA largely. We are in a position, therefore, of trying to work with the procedures themselves to make sure that we are as fair as is possible in implementing it.

There is an appeal process. Needless to say, these cases are just beginning to evolve in the system, and I think what we can commit to you is to keep a very sharp oversight on this, and to therefore look at questions that may arise that may cause us to at least discuss further with the Department of Homeland Security any policy issues that should be addressed on this as we move forward. It is something, as I say, that was determined largely by the security needs of the country. We are in a difficult situation where classified information can be very much the driver on those pilot revocations.

Senator BURNS. Well, it just seems like to me that you mentioned three different agencies that have three different goals. Are we fuzzing up this business of jurisdiction and who can and who cannot do things?

Ms. BLAKEY. The authority for this came through and resides with the Transportation Security Administration and, therefore, the Department of Homeland Security.

Senator BURNS. You know, I am an advocate of homeland security, but I do not think—I just think that we have got things that confuse—I know I am, and I know the flying public and even those people who fly airplanes and must have a license and certificates. This looks like an almost impossible situation, if a person is wrongly accused cannot face his accuser. This flies in the face of the American judicial system. Are you going to turn into an EPA?

Ms. BLAKEY. Well, what I can commit to you is this. The FAA has had a long history, as you know, in issuing pilot certificates and overseeing that process, and we will certainly apply not only

the experience we have, but the kind of reputation that we have established for equity over the many years to this as well.

Senator BURNS. I am very concerned about this, Ms. Blakey, and I shall be monitoring it, because we are hearing some very troubling noises now from GA pilots, and that concerns me, because GA is awfully important in the State of Montana, and so far, we have got people who are really hurting financially up there. You put some people out of business. I think we ought to open up National to general aviation again, but that is another day, another story.

But thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Lautenberg.

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

Senator LAUTENBERG. Thanks very much, Mr. Chairman. I apologize for not being here to hear the administrator's comments, and Mr. Mead and I have sat across the table many times over lots of years.

Though I sit in the freshman's section, the fact is that the white hair, the wrinkles, and the length of service indicates that I am here for a much longer period of time than one would judge by my most recent election, and Mr. Mead, as usual, you are thorough, at times bedazzling in the information that you present because of the volume of material that has to be considered.

And Mr. Chairman, I commend you for getting the hearing started on this reauthorization process, and I ask consent to put my formal statement in the record.

The CHAIRMAN. Without objection.

[The prepared statement of Senator Lautenberg follows:]

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

Mr. Chairman, Senator Hollings, thank you for holding this first hearing on FAA Reauthorization, focusing on aviation technology and safety. I also want to thank Administrator Blakey and Inspector General Mead for appearing here today.

Mr. Chairman, I have worked on transportation safety for many years, from the law I wrote to raise the drinking age to 21, to my initiatives to get oversized trucks off the highways, to my .08 blood alcohol drunk driving law. I look forward to continuing my safety work on this Committee as we craft the FAA Reauthorization bill.

I do want to raise one particular aviation safety issue that I find very troubling—possible privatization of the air traffic control system. In the aftermath of September 11th, the American people demanded one thing in particular of their government: they wanted government personnel— not private contract firms—to perform security screening of baggage at our nation's airports.

That is why I was so surprised to find out that the Administration, through the OMB A–76 process, stripped air traffic control of its "inherently governmental" status last year, setting the stage for privatization. To me, that makes no sense, especially after September 11th.

It is the opposite of what the public wants. I know that the official line from the Department of Transportation is that it does not intend to privatize air traffic controllers. But that contradicts the Administration's recent actions through the A–76 process.

In addition, the Administration has already solicited bids to outsource the jobs of air traffic control specialists, who maintain, repair and monitor the system. We currently have the best air traffic control system in the world. Our federal air traffic controllers, air traffic specialist and flight service station controllers are expert professionals who perform under pressure every day to keep our skies safe.

I believe our air traffic controllers are almost a wing of the military—and they play a major role in homeland security. When the Space Shuttle *Columbia* tragically

exploded in the skies over Texas, it was the air traffic controllers who directed aircraft away from the falling debris field.

These men and women perform a critical government function, It should not be farmed out to private contractors. Just as the American people want government workers checking their baggage, they want government workers to protect their safety and security while they are in the sky.

I hope the witnesses will address this issue. Thank you Mr. Chairman.

Senator LAUTENBERG. The reference I make is principally toward what I will call the risk of privatization, the considered privatization of many parts of the air traffic control system. It concerns me that we just took a whole workforce, 25,000 plus people, baggage screeners, and took them from the public sector and put them in the Government sector, or the private sector, rather, and put them in the Government sector and now, with the air traffic controllers, we are talking about the possibilities of just the reverse of that, and preparations, though subtle, are certainly there to be able to move the force to the private side.

And to me, the air traffic control system that we have in this country is a miracle at work. The safety record, the volume of activity that takes place, the movements every day across this country of ours, including those aircraft that arrive from other countries, everything is looked at, and 9/11, which was a benchmark in atrocity for America placed an enormous burden on the aviation system, such that it had to shut down, but in those intervening hours right after the assault took place, it took a very delicate balance of direction to the aircraft that were flying at the time. How do you get everybody out of the sky? How do you get them out of the way? How do you make sure that there is no further damage likely to follow?

It was in my view, a miracle of both efficiency and strategy, and I am one of those who admires so much of what we have done in the FAA air traffic control system, and I am concerned, Mr. Mead, with the increased costs that you talk about, the controllers that were in the $200,000 range, and I would ask you this, all these people I assume are subjects for overtime pay when they exceed their regularly scheduled hours, so is the problem the costs, is that where you go first, or is it the requirements that come first?

The system was in such a state of shock after 9/11, and overtime, was it a fairly customary thing, I think, always in the FAA, because of the strict requirements, and the fact is that days often get elongated by weather and other conditions. What would your estimate be? Did you evaluate what it was that brought the components of salary to those levels?

Mr. MEAD. Yes, and, in fact, for the 10 highest-paid that I referred to, the ones that went from 195 to 212-something, in that neighborhood, those people averaged $66,000 per person in various premium pays, which would be Sunday pay, overtime, controller-in-charge pay, there is another category called holiday pay, or holiday differential.

By far the largest category was overtime. The average per person in the high $100,000 categories was about $43,000, so a controller earning about $200,000 a year, you can count on that being, average, $43,000 of it being overtime.

Senator LAUTENBERG. Twenty-five percent of the pay.

Mr. MEAD. Yes, and the premiums overall were even more than that, but I would hasten to add that this cost accounting system, which sounds very "auditorish," and maybe "green eyeshadish," would really help you sort through how many controllers were at that facility at the time this overtime was being incurred, comparing one facility to another, that sort of thing.

Senator LAUTENBERG. Yes. It is obvious that there are components in there that are not just strict pay increases that have come about whimsically, just to be nice to some people. We are, after all, reaching to get people to take on these tasks. We still have locality pay, I think, do we not? I remember hearing some talk about the elimination of that kind of premium.

Mr. MEAD. There is two. There is a locality pay, the general Government locality pay, and on top of that, controllers at about 110 facilities get a kicker of between 1 to 10 percent of salary on top of Government locality pay.

Senator LAUTENBERG. Why did we introduce those incentives?

Mr. MEAD. Well, I think it is probably a vestige of when, you will recall when they were back on the general schedule, the regular Civil Service system, there were hard-to-staff facilities.

Senator LAUTENBERG. Absolutely.

Mr. MEAD. And then after the reforms where the FAA was allowed to negotiate as to pay, and they got big pay increases, then they retained the incentive pay, so that is why you have—the average salary that I quoted of about $105,000 for the fully certified controller is exclusive of those incentive pays.

Senator LAUTENBERG. I am not defending the extravagant wages, but I am asking that we examine exactly how we got to where we are, because if someone is in a rural-type community out in the West or Midwest, and is asked to move to Chicago, or New York, or Los Angeles, the costs of living are significantly different in many of these places, as I learned in my discussions with controllers, and I know a lot of them. I used to visit with them in Newark and La Guardia and other airports as well, and found out that they had difficult decisions to make when they were asked to move to another place.

I used to run a good-sized company, a company that now has 40,000 employees, and I know that we, years ago, going back many years, you could say, hey, you are going to Lexington, Alabama, it is a small town, but it is an opportunity. They would say yes. Now they say, well, as soon as I talk to my wife and kids, I will let you know whether it is of interest, and we are subject to those kinds of pressures.

One thing that strikes me is that we ask more of them, the controller workforce, I think, than we are asking of the industry generally, and I am for helping keep these companies flying, but the fact is that they are all competing for extra business, paying substantial sums in advertising and marketing, and giving premiums, and you name it, to build the traffic. And as a consequence, the air traffic system has to stay with it even if the airplanes are not filled, and even if the revenues of the airlines are less than sufficient, the fact of the matter is that the demands on the system persist. And we did not get the safety record that we have because we

were inefficient. We got it because people worked very conscientiously.

And we have, again, every right to look at the costs for these operations no matter what the task, but I look at the FAA almost, Mr. Chairman, as another extension of our military, a compulsory service for our country to function, and when the controller system is under consideration for privatization, to me it is akin, almost, to asking whether we want to hire mercenaries to go to the front lines if we can get them.

I do not know what you do if a company goes on strike, does not meet its commitment to its employees, does not provide the pension funds that it has promised, et cetera. I think we would be in a whole different business.

And I commend each of you for the work that you have done, and the Chairman for initiating these reviews. We have got a lot of work to do. When I hear the questions asked—and New Jersey, you know, is the place where much of the research on security-type equipment is done, and I was on the Pan Am 103 review committee, and we looked very, very deeply in how we can protect ourselves against cargo-carried bombs, and we found out that a lot of money went into research.

The size of this thing is ugly. It is not an aesthetic thing at all. It is as inefficient as could be to have to take luggage from one place and move it over to another and have it out of the mainstream, and as you said so clearly, the fact of the matter is that a lot of these airports do not have room for these truck-size pieces of equipment, and the trace system has not proved to be as efficient as we would like to see, and getting things smaller is a task that we are going to have to work on, but we dare not sacrifice security in the process.

I thank you, Mr. Chairman, for the opportunity to talk to our witnesses, and the fact that you brought them in so early

The CHAIRMAN. Thank you very much, Senator Lautenberg.

Thank you. We will be obviously engaged in intense discussions, and as we move forward, it would be our intention to try to report out a bill sometime within the next couple of months if not sooner. Recognizing the difficulties we had last time, we have a lot of work ahead of us.

I thank the witnesses. This hearing is adjourned.

[Whereupon, at 10:50 a.m., the Committee adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. JOHN F. KERRY,
U.S. SENATOR FROM MASSACHUSETTS

Mr. Chairman, I would like to thank you for holding this hearing and thank the witnesses for their testimony. We're here today to discuss the reauthorization of the Federal Aviation Administration's (FAA) budget and its programs, a subject of critical importance given the safety and security concerns that have arisen since September 11, the poor financial state of the airline industry, and the overall mission of the FAA. Although the Transportation Security Administration (TSA) has primary jurisdiction over aviation security, the FAA will remain a partner in security and is still responsible for the overall safety of air traffic in the United States.

Apart from security concerns, there are a number of important issues confronting the FAA that will need to be addressed during the reauthorization period. This includes the administration's plans to privatize the air traffic control system, the projected shortage of air traffic controllers and the likely increase in air traffic and runway congestion over the next few years, the projected shortfall in the Airport and Airway Trust Fund (AATF), and ensuring that enough money from the Airport Improvement Program (AIP) is spent on improving airport facilities, reducing noise, and addressing capacity issues.

Although it is not technically part of FAA reauthorization, I am concerned over the impact the administration's plan to privatize part or all of the air traffic control system may have on air traffic in the United States, and I hope it will be debated as we proceed with drafting legislation. Last fall the President changed the designation of air traffic services from "inherently government" to "commercially competitive," thus allowing for the possible takeover of the air traffic control system by private contractors. I cannot think of a worse idea than handing over responsibility for the nation's air traffic control system to a private company, and I am surprised that even this administration would entertain such a notion. After September 11 we felt it necessary to make baggage and passenger screening a federal responsibility because private screening was obviously inadequate and most people agreed that in this age of heightened alert only professionally trained federal workers could provide our best protection against terrorism. I ask my colleagues: if we don't trust private screeners to inspect baggage why would we trust a private entity to run our nation's air traffic control system? The United States Government has developed and maintained the largest, safest, and most complex air traffic system in the world. Other nations have attempted privatization with questionable results. This work should only be performed by well trained and experienced federal workers. These men and women perform a valuable service to their country arid their jobs should not be contracted out to the lowest bidder. Privatizing the air traffic control system is a bad idea and I sincerely hope the administration takes a closer look at the harm this could cause our nation.

Although air travel is down from its pre-9/11 peak, it will recover to earlier levels. Keeping up with capacity will be one of the biggest challenges this agency will face in the years to come; Increasing capacity will mean more than just building new runways and expanding existing facilities, it will mean ensuring that the FAA has enough controllers to monitor the nation's air traffic. As such, the projected shortage of controllers over the next three to five years is alarming. It is estimated that by 2010 the FAA will need an additional 2,000 controllers. Considering that the rate of controller attrition is expected to increase by 150 percent over the next ten years, the importance of hiring a new generation of controllers cannot be underscored enough. Failure to address this problem will lead to longer delays and overworked employees. It is imperative that the FAA hire and train enough controllers to meet the inevitable demands on air and runway space. Without enough air traffic controllers to guide planes, runway construction is a moot point. I look forward to hearing the FAA's plans to make up for this shortfall.

Another important issue during reauthorization will be the continued viability of the Airport Improvement Program. Since passage of the Aviation and Transpor-

tation Security Act a significant percentage of AIP money has gone towards security related projects instead of more traditional uses such as noise reduction, capacity enhancement, and facility improvements. Although this was certainly warranted given post-September 11th security concerns, I believe that we should consider alternative means to fund security initiatives if this imbalance continues. Installing EDS and ETS devices in every major American airport alone will cost between $3 and $6 billion. Given that the administration's FY 2004 request for the AIP is $3.4 billion, the same amount expended in FY 2002, and that the AIP is receives its funding from the AATF, it may be necessary to devise alternative funding mechanisms solely for security projects.

Mr. Chairman these are the issues which concern me as we consider the reauthorization of this importance federal agency. I look forward to working with my colleagues during the reauthorization period and passing a bill which best serves the interests of the American public. Thank you.

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

Question 1. There are currently 219 airports participating in the FAA Contract Tower Program, which continues to enjoy bipartisan support from Congress as a cost-effective way to improve air traffic safety at smaller airports. This public/private sector partnership also receives consistently high marks from the DOT Inspector General, National Transportation Safety Board, airports and aviation users. The FAA late last year sent the District Court for the Northern District of Ohio a revised study on the contract tower program that was ordered by the Court as part of a federal lawsuit filed by the controllers' union in 1994 to overturn the program.

(a) Can you provide the Committee with a status report on this lawsuit?

Answer. After FAA informed the court that it had completed its review under 0MB Circular A–76, and determined that the agency should continue to acquire air traffic control services for low level activity towers through the Federal Contract Tower Program, NATCA filed a motion to amend its 1998 complaint to challenge this determination. The court granted NATCA's motion. The Government, in a single motion, moved for summary judgment or alternatively moved to dismiss the Amended Complaint. The basis for this motion was that the agency had complied with the Circular, and that all issues had been resolved. NATCA objected, claiming it could not respond to the motion without discovery. The court ruled that NATCA was entitled to discovery and on June 9, 2003, FAA responded to the discovery request. NATCA will have until the end of July to respond to the Government's motion.

(b) Also, given the success of the contract tower program for smaller communities, what are your plans to ensure the future viability of the regular and the cost-sharing program, particularly as it relates to funding?

Answer. The FAA will continue to budget for any increases in the current Federal Contract Tower Program, for new starts in the program, and to work with communities on the cost-sharing program.

Question 2. The FAA has made a concerted effort in recent years to streamline the review and approval process for key capacity-related projects.

(a) What is the status of those efforts?

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

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

2. FAA has reallocated staff to provide for five more environmental specialist positions in the Office of Airports. With the passage of the FY 2003 Department of Transportation and related Agencies Appropriations Act, funding has been provided for hiring 18 more Airports environmental specialists and 13 environmental attorneys. These added personnel will specifically conduct and expedite the environmental analysis and review of airport and aviation development so

as maximize the capacity benefits to the National Aviation System. FAA is underway with plans to hire qualified personnel to fill these positions at various locations around the country.

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

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

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

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

(b) How have they affected the time it takes to review key projects?

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

(c) Do you anticipate further administrative improvements in this area?

Answer. FAA hopes that further agency, as well as congressional actions, will lead to administrative improvements in streamlining the environmental process for major runway projects around the country. Besides the initiatives proposed as part of the Administration's proposal for Aviation Reauthorization Legislation, FAA is implementing the environmental streamlining provisions of Presidential Executive Order (E.O.) 13274, Environmental Stewardship and Transportation Infrastructure Project Review. Two airport EIS projects (Philadelphia and Los Angeles) have recently been designated as priority projects for oversight under the E.O.

(d) Do you support efforts in Congress to make further improvements to the process?

Answer. Yes. The Administrations bill proposes a number of streamlining provisions including—

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

Question 3. While service to smaller communities remains a high priority, the Administration has proposed cuts to the Essential Air Service Program and has not requested funding for the Small Community Air Service Development Program. What is the Administration doing to promote air service to smaller communities?

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

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

Question 4. How can FAA assert that the near-term need for OEP rollout is reduced (i.e., lower congestion) when it is clear that overall traffic continues to increase with the dramatic growth in regional and commuter operations since 9/11, and with the attendant increases to safety risks?

Answer. FAA continues to strongly support the Operational Evolution Plan (OEP) and recognizes the need, both short term and long term to continue our initiatives to increase capacity. However, the impact of the events of September 11th, and the subsequent downturn in the aviation industry has impacted the OEP schedule.

The OEP, by its very nature is collaborative and requires the participation of FAA, airlines, airports, avionics manufacturers and engine producers. Unfortunately, the stress of the industry's severe financial situation has limited the level of participation of many of our stakeholders. Accordingly FAA has had to change the OEP schedule to reflect this new environment. However, the objective of the OEP has not changed. Rather, it has been adjusted to reflect this new environment and the industry's current financial limitations. The plan still includes investments in additional runways, though with some schedule changes, as well as the roll out of several capacity enhancing technologies to include required navigation performance, collaborative decision making, and more efficient approaches to airspace management. The airline industry is recovering and should reach its pre-September 11th operating levels within the next couple of years. Further, passenger levels and revenue miles, for some carriers, particularly low cost, regional, and commuter airlines, have shown substantial increases in the number of flights and passengers carried. The OEP does address these needs and focuses additional emphasis on airspace redesigns at key regional airports.

Question 5. I understand that FAA and NATCA have tentatively agreed to extend the air traffic controller contract for two years. Has this agreement been finalized? Will this extension further increase the operating costs of the agency?

Answer. The extension agreement is only tentative and subject to the union agreement to renegotiate those Memorandums of Agreement (MOA) we have identified as having significant cost and operational impact or improperly affected management rights. The MOA renegotiation team met in June 2003 and will reconvene in mid-July 2003 to continue working towards resolution. If all these MOAs are successfully renegotiated, this will help contain subsequent increases in operating costs due the contract. Under the tentative extension, the air traffic controllers will only receive those pay increases granted to other federal employees.

Question 6. Now that you have been at the FAA almost half a year, do you have any priorities or goals for you term?

Answer. Since my arrival at the agency, I have been working with my senior managers to set strategic direction for the Federal Aviation Administration during my term. This has been a thoughtful and data-driven process. We are very close to finishing a new draft Strategic Plan—our Flight Plan—in conjunction with our FY 2005 budget development. We will of course be asking you and your staff, industry, other government agencies, and our employees and unions for comment before we finalize this plan.

The new FAA Flight Plan will have four goals—Increased Safety, Greater Capacity, International Leadership, and Organizational Excellence.

Increased Safety

Safety is the FAA's primary responsibility. Our dedication to keeping the skies safe is perhaps the single most important step we can take to revive the industry. Just as aviation is a key component in the economic health of our nation, safety is central to the public's interest, as well as to the economic health of aviation. Passengers must know they are safe. They will not fly if they do not have confidence in the system.

While aviation accident rates are at their lowest levels ever, the FAA will not become complacent; there is always room for improvement. We will continue to develop technologies that will utilize our airspace in safer, more efficient, and more environmentally-friendly ways. We will continue to work with industry to collect data that allow us to identify risks and prevent accidents before they happen, rather than the old "fix-and-fly" method of identifying a problem once an accident has already occurred. We will continue our partnerships with industry to reduce the commercial accident rate, improve runway safety, and maintain the zero-accident record of commercial space transportation. We are also making a special commitment in Alaska, where the challenging operating environment has led to an unacceptably high aviation accident rate. For this reason, we are targeting innovative safety solutions that will reduce the number of accidents. Success in Alaska will lead to safety improvements throughout the national airspace system.

The FAA is also committed to moving the United States from a ground-based navigation system to one located within the aircraft itself. Through the use of onboard technology, pilots will be able to navigate aircraft to any point in the world using only geographical coordinates. Required Navigation Performance (RNP) is an important step in this direction. Because of its high degree of precision, RNP allows for more efficient use of the airspace. In addition, RNP will enable the development of constant angle descent approaches, thereby, increasing safety. Simply put, RNP will allow us to fly more planes, closer together, and more safely than ever before.

The FAA will continue to improve its safety oversight of air carriers, manufacturers, and airport operations. We will complete the implementation of a Safety Management System for FAA's Air Traffic Services. We are also making a significant changes in how we measure public safety with the development of a new single safety index that will take into account all air accident injuries (not only fatal injuries) and their impact on passengers, employees, the public, the industry, and the economy. This new index will serve as a vital trend indicator that allows us to measure the effectiveness of many of our safety initiatives.

Safety must and will remain the FAA's top priority as the aviation industry readjusts itself to a world transformed by terrorism and economic challenges. It is the key to confidence in the system. It is the key to the future of aviation.

Greater Capacity

The global economy, the war on terror, the war in Iraq, and Severe Acute Respiratory Syndrome (SARS) have all dealt major blows to U.S. air travel. Passenger levels are down 8 percent from where they were in early 2001, and current industry forecasts suggest that demand will not rebound until 2005 at the earliest.

It *will* rebound, however. So while the airlines struggle to reinvigorate their industry at this critical time, the FAA must continue to work with local governments and airspace users to redesign a decades-old airspace that will meet the capacity demands of the future. This redesigned airspace will have to accommodate more traffic while easing delays; increase safety and security while addressing noise and air quality; and smooth air travel between land and sea while disentangling it in major metropolitan areas. More specifically, we will ease congestion over eight metropolitan areas; improve overall capacity at the nation's top 35 airports by 30 percent; increase the number of flights by building new runways; and increase traffic coordination and communication through new technologies. The end result will be an airspace that is more efficient, less costly, safer, and we will accomplish this in an environmentally friendly manner.

Capacity, like safety, is not only a priority but a necessity. Air travel cannot grow if aviation capacity does not grow with it. Passengers will not travel if they cannot move through the system safely, seamlessly, and efficiently. Capacity is therefore a vital link to realizing the full power and potential of aviation.

International Leadership

The FAA has operational responsibility for almost half of the world's air traffic. We certify more than 70 percent of the world's large jet aircraft. We provide direct or indirect assistance to 129 countries around the world to help them improve their aviation systems. The United States, represented by the FAA, is the largest contrib-

utor of intellectual and financial support to the International Civil Aviation Organization (ICAO), which represents 188 of the world's civil aviation authorities.

The FAA is, therefore, inextricably engaged in an international network of partnerships aimed at promoting and enhancing air safety around the globe. While growth in aviation over the last half century has taken place primarily in the United States, growth over the next century is going to occur primarily overseas. The FAA wants to assure that U.S. citizens are able to travel as safely and efficiently abroad as at home.

To achieve this, the FAA must work effectively with its key bilateral partners as well as with regional and multilateral aviation organizations, support the global implementation of proven air traffic technologies and procedures, and effectively leverage the technical and financial resources available to raise the requirements and oversight of all civil aviation authorities to a high global safety standard.

While the worldwide air accident rate has improved over the last ten years, it remains consistently greater than that of the United States. The FAA is committed to working with our international partners to bring our experience, expertise, and new technologies to create a safer, more efficient, economical, and environmentally friendly global airspace.

Organizational Excellence

To achieve the ambitious goals outlined in this Strategic Plan, the FAA must itself become a world-class enterprise. This will require strong leadership, performance-based management, and improved fiscal responsibility. Consistent with the President's Management Agenda (PMA), this also means the FAA must set targets, measure performance, and be accountable for the results. The PMA is intended to make the government "citizen-centered, results-oriented, and market-based," and consists of the following five initiatives:

- Strategic management of human capital
- Competitive sourcing
- Improved financial performance
- Expanded electronic government
- Budget and performance integration

The PMA and FAA's Organizational Excellence goal both focus on government accountability while providing important services in a responsible and cost effective manner. The FAA's goal is structured to ensure that FAA employees clearly understand the agency's mission and priorities, faithfully execute their duties to accomplish this mission, and get the most out of every tax dollar. This means the FAA must set targets, measure performance, and hold ourselves accountable for the results.

Controlling costs is essential. Working with our employees and industry partners, the FAA must consistently refocus investment priorities on programs and services that *perform,* while ending those that are redundant or ineffective. To accomplish this, we will establish an agency-wide cost-control program to identify where costs can be cut and reinvested to meet the initiatives outlined in this plan. The agency will also accelerate the development of data and analytic tools that will allow us to make management decisions based on sound business principles.

The FAA's workforce is the key to achieving our mission. We are committed to finding and eliminating barriers to equity and opportunity at the FAA. The range of diversity at the agency directly relates to the strength of our organization. Furthermore, we will make sure all personnel have the tools and resources they need to address successfully the challenges we face. In turn, employee compensation and salary increases should be performance-based, allowing the agency to control costs and reward success.

Our commitment to meeting these initiatives will determine our policies as we head into the future: Where to focus our resources, where to *stop* focusing resources, how to best serve the flying public, how to help the industry through a critical crossroads, and how to help American aviation advance safety and efficiency for travelers all over the world.

Question 7. Congress has required that the FAA have both a Management Advisory Committee and an Air Traffic Subcommittee to advise the Administrator on managing the FAA. What is your impression of the usefulness of these two panels? Would you recommend any legislative changes to their structure or function?

Answer. I have found both the Management Advisory Council (MAC) and the Air Traffic Services (ATS) Subcommittee to be extremely useful in different ways. The MAC has provided me with both formal and informal advice, and provided helpful information and perspectives for me during my initial months as Administrator. With their industry knowledge, keen insight, and willingness to help, the MAC is

a valuable asset to the FAA. The ATS Subcommittee brings another valuable, though different, perspective to the FAA's Air Traffic Service. With their expertise in private industry, the Subcommittee has focused ATS on becoming more performance based, more customer focused, and with a greater attention to cost saving initiatives. In this time of continuing budget concerns, the knowledge the Subcommittee members bring will benefit the FAA and the Country.

In our reauthorization legislation, we proposed changes to the MAC and Subcommittee. The proposed changes are:

- Modify the structure and membership of the ATS subcommittee of the MAC by separating it from the MAC to be a stand-alone ATS Board.
- Add the FAA Administrator as member and Chairman of the ATS Board.
- Modify the authority of the ATS Board by revising its approval authority and involvement in the air traffic organization's budget.
- Modify the MAC to change the requirement of Presidential nomination for the one remaining aviation interest position and FAA air traffic services labor position to Secretarial nomination and no Senate confirmation.

Question 8. What is the FAA doing to enhance safety oversight over air carriers that are in financial difficulty? Do you have any concerns about the safety of carriers in financial difficulty?

Answer. In addition to monitoring an air carrier's regulatory compliance, FAA inspectors are constantly monitoring their carriers financial and labor relations circumstances so they have a complete picture of the airlines status.

When inspectors see indicators of financial trouble or when the press reports significant financial distress, the inspectors increase their interaction with the airline's management and adjust their surveillance plan to increase their focus on areas that might be at risk due to financial cut backs.

Each carrier's experience is different and requires that the surveillance plan be tailored to the circumstances. As a carrier reduces its schedule, its fleet, and its employee ranks, the impacts of these reductions must be constantly evaluated and surveillance plans amended. Areas of adjusted surveillance would include: training to ensure employees who are reassigned are properly prepared for their assignments; maintenance to ensure that discrepancies reported by pilots are properly addressed; and other areas affected by the carrier's plans.

The carrier's quality assurance and quality control process are monitored to ensure they are being followed and that findings are being addressed. Data and trends—such as dispatch reliability, on time performance, and minimum equipment list deferrals—are monitored and surveillance is retargeted if the data indicates a negative trend.

Through increased focus and continual adjustments in tailored surveillance plans, the FAA adequately addresses airline safety concerns.

Question 9. The GAO has warned Congress about an impending wave of air traffic controllers over the next decade. What is the FAA doing to prepare for this wave of retirements?

Answer. Staffing standards have been revised based on recent traffic forecasts. These standards are an important element, along with projected retirements losses, to predicting future controller requirements and hiring needs. With the drop in staffing requirements due to reductions in air traffic, the 302 additional positions in the FY 2004 budget, and the FAA's hiring plans for future years, the agency is positioned to meet all of its staffing needs.

The agency is sensitive to the additional hiring needs needed to address the surge in retirements. The FAA's annual retirement projections have been very accurate, and the FAA has been meeting its annual hiring goals. Over the last 6 years, the agency has hired more than 3,000 new controllers.

Question 10. Your testimony states that the air traffic subcommittee will use eight metrics or measures to monitor the performance of the FAA's air traffic control system. Will these metrics be public and how will they relate to the FAA's goals that it develops under the Government Performance and Results Act (GPRA)?

Answer. The air traffic subcommittee's eight measures are, for the most part, already part of the public domain. Three of the eight metrics, Operational Errors, Runway Incursions, and Percent of Flights On-Time, are included in DOT's Performance Plan for FY 2003 as metrics reportable under GPRA. Four of the remaining five metrics are measures contained in the Air Traffic Services Performance Plan, and are available in the FAA's Aviation System Performance Metrics database. Proposals to develop the last metric, a financial metric, are being explored.

The metrics have been extensively briefed, and were presented to the subcommittee in January, with status briefings in April and July. The performance

metrics will be a regular portion of all ATS Subcommittee meetings. The eight measures, and supporting second level metrics, are designed to give a Chief Operations Officer a clear and continuous view of the performance of the FAA. Although Russell G. Chew will be joining FAA as the COO this August, during the time that FAA has not had a COO, FAA used these metrics to monitor the performance of the air traffic control system.

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

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

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

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

Question 2. As you know, Congress has provided funding in each of the last three years for the installation of Transponder Landing Systems (TLS) at a number of small airports, including La Grande/Union County Airport in Oregon. These airports stand to benefit significantly both economically and from a safety perspective once these navigation aids are put in place.

(a) How is the TLS program proceeding? What kind of progress is being made toward actually commissioning these systems at the specific airports the congressional appropriators have named?

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

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

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

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

(b) Is there anything FAA can do to streamline the site evaluation process, such as conducting the various layers of analysis in parallel rather than sequentially?

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

FAA has found that concurrent TLS initial site surveys and geographic surveys would not be prudent because, during the conduct of the initial site surveys, several

airports chose to decline any further consideration of a potential TLS at their facility.

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

(c) Is the FAA shouldering costs related to Type Certification to the same extent as it does for other navigation aids?

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

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

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

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

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

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

Answer. DERs assist the FAA by examining data and finding compliance on behalf of the FAA. The FAA determines when and how DERs will be used and how much DER activity will be reviewed as part of DER oversight and specific project management. The FAA retains the authority to make compliance findings on the safety-critical, complex, controversial and new technological applications and does not delegate those aspects of design approvals. The bulk of the work completed by designees is routine and the FAA has a high degree of confidence in their technical ability to make the correct finding.

The amount of delegation to DERs and the amount of review of DER-approved data depends on several factors. A project that deals with new technology or a high level of complexity may dictate more FAA involvement in the form of direct FAA finding or review of findings delegated to a DER. A DER who is less experienced

or unfamiliar to the FAA project office would also warrant less delegation and more review. There is no minimum or maximum quantity of data review specified in FAA policy, but DER performance evaluation depends on some review of DER data submittals.

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

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

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

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

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

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

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

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

I am very interested in this burgeoning field. Can I assume that you would be interested in working with industry further to develop techniques to maintain and ensure durability of these materials in the future, along the lines of the Center of Excellence programs currently in place for such technologies as airport technology and computational modeling?

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

One of the Center's principal research areas is in the durability and damage tolerance of advanced materials. One example of how the Center's university research organizations are working with industry is in the maintenance and repair of advanced material sandwich structures. These are used in nacelles and control sur-

faces on transport aircraft, as well as fuselages on commuter and general aviation aircraft. In this project Boeing is a full partner in this research initiative, supplying their manpower and fabrication expertise.

Question 3. Administrator Blakey, in FY 2003, TSA requested $5.3 billion for aviation security expenses. For FY2004, the Department of Homeland Security has requested $4.8 billion just for aviation security. This is projected against FYs 2003 and 2004 revenues from the passenger security fee of about $1.7 billion annually, along with yearly contributions of $300 million from the airlines. This leaves a gap of about $3 billion each year.

In FY 2002, airports used an unprecedented amount of AlP funds for security-related projects. Historically, only about 1.5 percent of AlP funds were used for security, while in FY 2002 17 percent of AlP funds (or over $561 million) were spent on security-related projects. I am concerned specifically, that the Administration may propose using AlP funds, which normally are targeted towards capacity and safety-related improvements, to pay for the necessary security upgrades at our airports. However, it is evident that if we continue to use this level of AlP funds for security needs, there will be trade-offs in other airport programs.

So my question is how will these aviation security costs be paid for? And as a follow up, will the Administration continue to use significant AlP funds for security?

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

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

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

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

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

Answer. We are proposing a fundamental change in the way that the government delivers transportation services to rural America. For too long, many communities—there are a few exceptions—have taken the air service for granted as an entitlement and done little or nothing to help make the service successful. Requiring a modest contribution should energize civic officials and business leaders at the local and state levels to encourage use of the service. Communities will also have many more service options available to them. Rather than the two or three round trips a day to one hub that EAS has traditionally provided, we would work with the communities and state departments of transportation to procure charter service, single-engine, single-pilot service, regionalized service, or ground transportation in cases where that seemed to be more responsive to their needs. Moreover, as stakeholders in their service, the communities will become key architects in designing their specific transportation package. For the most isolated communities, we would continue to subsidize air service to the extent of 90 percent of the total subsidy required. The remaining communities would have to contribute 25 percent of the total subsidy required.

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

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

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

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

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

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

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

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

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

Answer. Despite record levels of AIP expenditures in FY 2002 to help airports meet new security requirements imposed in the wake of the terrorist attacks of September 11, the FAA was able to fund all safety projects, including runway safety

areas and runway safety action team recommendations; letter of intent commitments; noise mitigation and reduction projects, ongoing phased projects; and congressional earmarks. The LOIs and phased projects represent commitment of significant AIP resources to capacity projects. The FAA also provided substantial AIP funding for rehabilitation projects, though there was a reduction in reconstruction and standards projects.

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

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

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

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

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

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

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

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

FY 2004 Funding ($ in millions)

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

Question 7. The FAA has made a concerted effort in recent years to streamline the review and approval process for key capacity-related projects.

(a) What is the status of those efforts?

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

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

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

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

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

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

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

(b) How have they affected the time it takes to review key projects?

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

(c) Do you anticipate further administrative improvements in this area?

Answer. FAA hopes that further agency, as well as congressional actions, will lead to administrative improvements in streamlining the environmental process for major runway projects around the country. Besides the initiatives proposed as part of the Administration's proposal for Aviation Reauthorization Legislation, FAA is implementing the environmental streamlining provisions of Presidential Executive Order (E.O.) 13274, Environmental Stewardship and Transportation Infrastructure

Project Review. Two airport EIS projects (Philadelphia and Los Angeles) have recently been designated as priority projects for oversight under the E.O.

(d) Do you support efforts in Congress to make further improvements to the process?

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

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

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

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

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

I would also like to highlight our environmental concerns, a cornerstone of Flight–100. While FAA's primary mission is to ensure a safe and efficient NAS, we also take our environmental responsibilities quite seriously. The environmental initiatives in Flight-l00 will contribute to continued success of our investment in safety and capacity projects by providing for prompt and more effective environmental review of significant projects while continuing to exercise strong environmental stewardship.

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

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

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

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

Answer. The key issue here is responding effectively and efficiently to small communities. It is important that changes be made to the Essential Air Service program, regardless of the proposed or ultimate funding levels, to ensure that we provide the communities the maximum flexibility possible to address their air service issues. A "one size fits all" approach has not proven to be very successful. Providing

communities more direct involvement and increased flexibility in meeting their individual needs will better ensure that the Federal assistance available will provide the communities with service that will be used.

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

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN MCCAIN TO HON. KENNETH M. MEAD

Question 1. Are there any MOUs that directly impact or increase the operating costs of the agency?

Answer. Yes. In our work we found there are between 1,000 and 1,500 side bar agreements or Memorandums of Understanding (MOUs) that are outside the national collective bargaining agreement with controllers. Many serve legitimate purposes, such as providing incentives to controllers for reducing operational errors. However, we found some MOUs that added millions of dollars to personnel costs. For example:

- One MOU we reviewed allows controllers transferring to larger consolidated facilities to begin earning the higher salaries associated with their new positions substantially in advance of their transfer or taking on new duties. At one location, controllers received their full salary increases 1 year in advance of their transfer (in some cases going from an annual salary of around $54,000 to over $99,000). During that time, they remained in their old location, controlling the same air space, and performing the same duties.
- One MOU for a new free flight tool controller software system (URET) gave each controller a $500 cash award and a 24-hour time-off award for meeting certain training milestones on the new system. At 6 facilities alone, this resulted in FAA incurring approximately $1.3 million in individual cash awards and 62,500 hours in time off FAA and NATCA are now negotiating for further implementation of URET at the next 14 locations.
- At Philadelphia, there was a verbal agreement that gave each employee $1,000 in cash and 3 days off in connection with deployment of the new Standard Terminal Automation Replacement System (STARS). Currently, STARS is scheduled to be deployed to more than 170 terminal facilities, and it is unclear if FAA will enter into similar agreements at other locations.

Question 2. What changes does the agency need to make to improve its MOU negotiating process?

Answer. FAA needs to put controls in place over its process for negotiating, approving, and implementing MOUs. For example, we found FAA has:

- no standard guidance for negotiating, implementing, and signing MOUs;
- broad authority among managers to negotiate MOUs and commit the agency;
- no requirement for including labor relations specialists in negotiations;
- no systems for tracking the extent of signed MOUs; and
- no requirement for estimating potential cost impacts prior to signing the agreement.

In January 2003, we briefed the FAA Administrator on our concerns regarding FAA's process for negotiating, approving and implementing MOUs. To the agency's credit, FAA has taken steps to address our concerns. For example, FAA has implemented new procedures for MOUs, which includes limiting approval authority and requiring that both the Human Resources and Budget divisions review proposed MOUs before they are signed by management. FAA is also in the process of identifying those MOUs that are problematic and costly arid has begun correspondence with NATCA to reopen several agreements. These actions are clearly steps in the right direction.

Question 3. What suggestion have you made to the FAA regarding its handling and approving of MOUs?

Answer. In our January briefmg to Administrator Blakey, we recommended several actions FAA needed to take to correct the deficiencies in the agency's process for negotiating, implementing, and approving MOUs. For example, we recommend that FAA establish a team of labor relations specialists to review all MOUs and identify costly or problematic agreements that needed to be rescinded or renegotiated. We also recommended that FAA develop and distribute standardized guidance over the MOU process including designating authority for negotiating and approving MOUs, implementing a system for tracking MOUs, requiring that cost estimates be prepared for all proposed MOUs, and requiring that proposed MOUs be reviewed by FAA Labor Relations.

Since we briefed the Administrator, FAA has taken actions to bring the MOU process under control. In May 2003, FAA issued an agency order making significant changes to FAA's policies and procedures over the MOU process. For example, the newly adopted procedures in the order require that:

- a labor management relations specialist lead national and regional negotiations;
- proposed MOUs are analyzed for affordability relative to anticipated funding levels;
- MOUs contain mandatory provisions, such as specific expiration dates; and
- copies of all local, regional, and national agreements be sent to the Director and Employee Relations for inclusion in a national database.

In our opinion, the new procedures, if properly implemented, will provide FAA with much needed controls over the MOU process.

Question 4. I know that Administrator Garvey made some recommendations with respect to the COO and the Air Traffic Control Subcommittee. Have you reviewed them? Do they make sense?

Answer. We have reviewed Administrator Garvey's recommendations, and in general believe that the recommendations will improve the functions of the Air Traffic Control (ATC) Subcommittee and the COO office. Of particular benefit would be the fact that the ATC Subcommittee would be given greater autonomy in making decisions regarding Air Traffic Control, and the fact that the Administrator would be designated as the permanent Chairman of the Subcommittee.

Question 5. What can be done to further improve the operational error rate and reduce runway incursions?

Answer. To further improve the operational error rate, FAA must ensure that air traffic controllers are properly trained, especially those controllers who have multiple errors or errors that pose a moderate or high safety risk. In our April 2003 report, we also recommended that FAA (1) improve its oversight of facilities and regions that continue to have a high number of operational errors and (2) monitor the Controller-in-Charge (CIC) Program on a facility basis and perform detailed analyses of those facilities that show increases in operational errors while CICs on duty.

To reduce runway incursions further, FAA must continue to identify and implement technologies to aid pilots and to prevent runway incursions at high risk airports. As we recommended in our Apnl 2003 report, FAA needs to move expeditiously to: (1) advance low-cost technologies to high risk airports; and (2) expedite technologies, such as in-cockpit surface moving map displays, to aid pilots in reducing runway incursions. FAA also needs to implement recommendations from its recently completed technological reviews of 13 problem airports and conduct technological reviews at 4 additional airports.

Question 6. Is the Operational Evolution Plan still a valid blueprint for the FAA to increase capacity? How much of it needs to be revisited?

Answer. FAA's Operational Evolution Plan (OEP) was a good plan because it provided focus on capacity enhancing initiatives (such as new runways, airspace changes, and new technologies), and addressed key problem areas, such as airport throughput. However, much has changed since the Plan was introduced; major network carriers are in fmancial distress and projected Trust Fund revenues will be much less than previously forecasted. The Plan is still valid but given the current environment, FAA needs to set priorities and link the Plan with the agency's budget. FAA also needs to address uncertainty with respect to how quickly airspace users will equip with new technologies in the Plan (estimated at $11 billion).

FAA has efforts underway to revise the OEP but the extent of change to the Plan in terms of cost and schedule of key elements is not yet clear. FAA and industry officials told us that considerable benefits can be obtained through airspace changes, new air traffic procedures, and taking advantage of systems currently onboard aircraft—all which do not require airspace users to equip with new systems. This represents an important shift in the Plan. Senior FAA officials told us that hard deci-

sions about funding OEP initiatives and related major acquisitions need to be made. This is because some large-scale, billion dollar acquisitions are not in the Plan but critical for its success. For example, En Route Automation Modernization program (revamping hardware and software at all FAA facilities that control high altitude traffic) is not in the Plan but needs to be considered when revising the OEP. FAA expects to publish a revised OEP this December.

Question 7. Funding sources are clearly going to be a concern as we reauthorize. What options should we consider to provide appropriate funding for aviation?

Answer. This Reauthorization has to be viewed against the backdrop of the decline in air travel, and the significant decrease in tax revenue coming into the Trust Fund. Current estimates show that over the next 4 years (FY 2004 through FY 2007) Aviation Trust Fund tax revenues are expected to be about $10 billion less than projections made in April 2001.

Within that context, the options are very limited, and a key focus for FAA will have to be containing costs in all its accounts. However, a particular emphasis must be directed towards containing operating costs. FAA's operating budget, which is 82 percent payroll costs, has increased from $4.6 billion in FY 1996 to $7.6 billion in FY 2004—an increase of over 65 percent. Given the decline in Aviation Trust Fund revenues and the financial situation of the airlines, a continuation of this growth can no longer be sustained.

In terms of the Airport Improvement Program, a major issue for airports will be funding the next phase of explosives detection systems (EDS) integration. Thus far, nearly all EDS equipment has been lobby-installed. The Transportation Security Administration's (TSA) planned next step (integrating the EDS equipment into airport baggage systems) is by far the most costly aspect of full implementation. The task will not be to simply move the machines from lobbies to baggage handling facilities, but will require major facility modifications. We have seen estimates that put the costs of those efforts at over $3 billion, and this is an almost immediate issue facing the airports.

A key question is who will pay for those costs and how. In FY 2002, airports used over $561 million in AIP funds for security-related projects. In contrast, only about $56 million in AIP funds were used for security in FY 2001. Continuing to use a significant portion of AIP funds and passenger facility charges (PFCs) on security projects will have an impact on airports' abilities to fund capacity projects.

One option Congress may wish to consider is establishing a "set aside" within the Aviation Trust Fund designated just for airport security-related projects; the costs of which could be absorbed by re-directing a portion of the passenger security fee into the Trust Fund.

Question 8. Your testimony states that despite some progress made by the FAA in improving its procurement process, cost over-runs and schedule delays are still not uncommon in major modernization programs. What factors contribute to this problem? Why are some programs, like Free Flight, successful while others are not?

Answer. A number of factors contribute to cost growth, schedule slips, and performance shortfalls with modernization projects. These include: underestimating the complexity of large and complex software-intensive acquisitions, unstable requirements, poor cost estimating, concurrent development and production efforts, unresolved human factor issues (for both controllers and pilots) and poor contract oversight. In addition, new satellite navigation systems (such as the Wide Area Augmentation System) have been impacted by complex problems in certifying systems as safe for pilots to use. It is important to note that certifying new communications, navigation, and surveillance systems represent a new way of doing business for FAA because both air and ground elements of new systems need to be assessed in terms of safety.

FAA's Free Flight Phase 1 program was successful in part because it was broken up into smaller projects of limited size and scope, and used a "build a little, test a little" approach to fielding new systems. For example, new automated controller tools, such as the Traffic Management Advisor, were deployed at a limited number of sites Further, FAA made the use of the new tools "voluntary" for controllers. Also, FAA postponed decisions about certifying Free Flight Phase 1 systems until more experience was gained in how the technologies would actually be used on a daily basis. In contrast, major programs such as Standard Terminal Automation Replacement System and the Wide Area Augmentation System are large, technically complex programs that are required to be fully certified before they are deployed. We also note that the both the Standard Terminal Automation Replacement System and Wide Area Augmentation System consisted of concurrent development and production phases, which increases cost and schedule risk.

Question 9. Your testimony talks about the need for FAA to become a "performance-based" organization. What does that mean?

Answer. In 1996, FAA was given two powerful tools—personnel reform and acquisition reform. FAA was also directed to establish a cost accounting system so that it would know, at the facility level, where it was spending money and for what. The expectation was that by relieving the agency from Government rules and establishing a cost accounting system, FAA would become more "performance based" and operate more like a business. That is, services would be provided to users cost effectively and air traffic control modernization programs would be delivered approximately on time and within budget. In the Aviation Investment and Reform Act for the 21st Century (AIR–21), Congress took additional steps to make FAA more business-like by reorganizing Air Traffic Control's management structure and establishing a Chief Operating Officer position.

Question 10. Some parts of the airline industry have recommended a "tax holiday" for taxes they pay into the Aviation Trust Fund. What would be the effect of such a "holiday" on the FAA' s programs?

Answer. Our understanding is that the industry wants the government to suspend taxes that are collected into the Airport and Airway Trust Fund. These taxes, which include the passenger ticket tax, segment tax, and commercial fuel tax, pay for all of s annual modernization and capacity-enhancing budget, and most of FAA's operating budget. If these taxes are suspended, it would significantly alter the way FAA is funded.

For example, the Trust Fund balance is projected to be approximately $4.6 billion by the end of FY 2003. If a tax holiday was granted at the beginning of FY 2004, the remaining Trust Fund balance would cover only 33 percent of FAA's FY 2004 budget, with the rest being paid out of the General Fund. In addition, future FAA budgets, which will be in excess of $14 billion, would be completely funded by the General Fund, which is already facing significant challenges.

Question 11. Mr. Mead, in the Administration's budget, the President has proposed spending down the uncommitted balance in the Airport and Airway Trust Fund. Do you believe this is prudent? You have expressed concern about the growing general fund component of the FAA budget? Do you agree with this approach?

Answer. Given the current budgetary and economic demands currently facing the Federal Government, spending the uncommitted balance of the Airport and Airway Trust Fundfor aviation-related needs makes sense. However, two caveats to this approach must be considered. First, the funding mechanisms contained in the Administration's proposal are contingent upon the Trust Fund meeting revenue projections. The current Trust Fund projections were made prior to the war in Iraq and the SARS outbreak, and there are still significant uncertainties of when air travel will rebound. If revenue projections are not met, it will simply mean that more of FAA's operating budget will have to be fmanced from the General Fund. Second, the Administration's proposal is obviously only a short-term solution to FAA's funding dilemma. Clearly, the long-term solution is to bring FAA' s operating costs into line with the tax revenues that fund it.