

**ADMINISTRATION'S PROPOSAL TO REAUTHORIZE  
THE FEDERAL AVIATION ADMINISTRATION  
(PART I)**

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**HEARING**

BEFORE THE

SUBCOMMITTEE ON AVIATION OPERATIONS,  
SAFETY, AND SECURITY

OF THE

COMMITTEE ON COMMERCE,  
SCIENCE, AND TRANSPORTATION

UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

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FEBRUARY 15, 2007  
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Printed for the use of the Committee on Commerce, Science, and Transportation



U.S. GOVERNMENT PRINTING OFFICE

73-237 PDF

WASHINGTON : 2012

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For sale by the Superintendent of Documents, U.S. Government Printing Office  
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**THURSDAY, FEBRUARY 15, 2007**

U.S. SENATE,  
SUBCOMMITTEE ON AVIATION OPERATIONS, SAFETY, AND  
SECURITY,  
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:37 a.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller IV, Chairman of the Subcommittee, presiding.

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

Senator LAUTENBERG. Senator Rockefeller has been delayed. And so, he suggests that we get started, and I agree with that. Taking the prerogative of the chair, I'm in charge, and I may change budgets. Well, no, we'll just get ourselves going, I would, first of all, welcome Ms. Blakey. We have met in these conditions many times, and it's good to see you again.

I will make a very short statement, as the Acting Chairman here, and, as we begin the process of reauthorizing the FAA, I'd like to specifically focus on safety and our ability to manage future increases in air traffic.

Seven hundred and sixty million people will fly this year, and it's expected that by 2015 the number will hit 1 billion. Additional, 5,000 very light jets will be carrying passengers over the next 10 years. That's going to add challenges to an already strained system.

Last year was the worst year for flight delays since the year 2000. One in four airplane flights were late. Newark Liberty International, unfortunately, had the worst delays in America. For travelers who fly between Washington and New York/New Jersey area, a 36-minute flight often comes to 2 hours because of delays. We will look to the FAA for leadership in managing these demands. At the front line of both safety and increases in traffic are our air traffic controllers. Our air traffic controllers are retiring in large numbers, and the FAA is not replacing them quickly enough. There are a thousand fewer controllers now than we had a few years ago, and it takes several years to train new controllers. We are seven controllers short at Newark Airport.

The FAA and our Nation's airports are also moving too slowly to upgrade runway safety areas to prevent overruns. And runway incursions are listed by the National Transportation Safety Board as a major safety concern. So, in response, I will help craft comprehensive runway safety legislation this year to address these and other problems.

And finally, I would note that the Administration wants to widen the approach paths for Newark Liberty and other airports in the New Jersey, New York, Philadelphia region. Air noise is already a problem in New Jersey, and this change would only make it a larger one by spreading out planes over a wider area of the skies above New Jersey.

So, I hope that the FAA is going to reexamine this proposal, make sure that it is necessary to do that, and to evaluate its impact on the people of my state. We're going to be watching the process very carefully, because aircraft noise is already a major problem in the New York/New Jersey area.

And, with that, I will follow the procedures that Senator Rockefeller is using, if the staff can correct me, and that is 5-minute statements around the table.

Senator Klobuchar? Thank you. Five minutes.

**STATEMENT OF HON. AMY KLOBUCHAR,  
U.S. SENATOR FROM MINNESOTA**

Senator KLOBUCHAR. Thank you, Senator.

And thank you, Ms. Blakey, for coming today, and for beginning this conversation on the FAA reauthorization.

I'm from Minnesota. As you know, we have a major airport there, and so, we're very interested in these issues.

I think we'd all agree on one goal, that we need to build a cutting-edge, next generation air traffic control system that uses the latest advancement in satellite-based technologies. This system should allow us to increase capacity, improve safety and efficiency, reduce noise near airports, and reduce delays.

Controlling costs is a huge part of this. I've read the proposal that you have for switching from a financing system based largely on ticket taxes to one based more on user fees. I'm not quite convinced yet that this is the way to go, but we do look forward to hearing more about it.

And, in my view, as we look at a financing approach, we have to look at four criteria. First of all, it must be in the best interest of the traveling public. Second, it must produce sufficient revenue to cover our aviation needs, our safety needs, our technological needs, our commercial needs, our air traffic control needs, with, of course, help from the General Fund. And it also must avoid unnecessary complexity and be relatively easy to administer. And, finally, it must distribute the cost of the system among the users of the system in a way that is sensible and fair.

It remains to be seen whether these criteria are best met by our current system, with some modifications, or by a substantially different approach. This is what these hearings are about.

There are other issues that are important to me, as well, as we move forward with this reauthorization. Some of these include ensuring that our small airports continue to receive the support that

they need to maintain the vitality of rural America, ensuring that our airports and airplanes are maintained with safety as the first and paramount priority, ensuring that we have enough qualified air traffic controllers to fill our needs nationwide, and then, finally, ensuring that Congress exercises proper oversight over FAA's budget.

Today marks the beginning of an important dialogue on a vital part of American commerce and American life. I'm excited to be part of this.

And, I thank you very much.

Senator LAUTENBERG. Thank you very much.

And now, we're pleased to hear from the FAA Administrator, Ms. Blakey, please.

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

Ms. BLAKEY. I'm delighted to be here, Senator Lautenberg, and very pleased, also, to be working with you, Senator Klobuchar, because this—I do know that you have a very vital aviation link right there in Minneapolis-St. Paul, and one of our major airlines there. So, I welcome our discussions in the future.

What brings me before you this morning, of course, is a matter of national significance; indeed, it is a scenario that affects every man, woman, and child in this great Nation, that affects every business, from blue chips to the corner store. The common thread among each of these is aviation. The United States of America has long depended on aviation, not just as a means of point-to-point travel, but as the hinge on which the door to commerce literally stays open. Aviation keeps America open for business.

As you're well aware, the National Airspace System is rapidly approaching critical mass. Senator Lautenberg, you're hitting the nail on the head when you're talking about the kind of delays we are seeing on the East Coast; and Newark is a prime example. For years, the word "gridlock" has been bandied about. For years, experts have pointed to a system that is stretched too thin, a system that simply will not be able to accommodate all those looking to use it. The day is now here, and we have it upon us.

As passengers, I think we all know, not just from headlines, that the year 2006 was the worst in history for delays across the board. Conversely, that highpoint for delays occurred simultaneously with what can only be described as the "Golden Age of Safety." Our pilots are first-rate. Our controllers are the envy of the world. The people who service our equipment are acknowledged experts, capable of handling anything, from the devastation of a hurricane—and we've had plenty of those—to sophisticated software upgrades, where we continue to try to patch the system. Our safety inspectors are so good that they've helped whittle away the list of accident causes, to the point that they almost never happen.

And yet, amazingly, the system is in trouble. It's grossly inefficient. And everyone who flies it, knows it. The system's in trouble, because we have squeezed every ounce of capacity that's out there. In some cases, we've imposed artificial constraints—for example, in places like Chicago and New York, trying to stem the stream of passenger jets that always seem to want to take off at 7 a.m. and

come home at 5 p.m. in the evening, usually on the same day. Schedules, packed to the gills with delays, missed connections, and canceled flights, are all-too-common these days across the country.

So, what's in front of us? The undeniable fact is that we face a billion passengers by 2015. We face an ever increasing number of very light business jets, with new models that we welcome, like the Eclipse and the Diamond D. Traffic levels, as we know them, will double, perhaps even triple, in the not-too-far-distant future.

The logical question that follows goes like this: If we have the best people and the safest planes, why don't we have the best system? The question from the passenger who flies in the middle seat is a bit more pointed: Why is commercial travel becoming such a nightmare?

I'm here today to tell Members of the Committee that the Band-Aid solutions of the past will not be enough to deal with this change with the challenges in front of us. We can't keep trying to scale up an air traffic control system that's based largely on technologies from the 1950s and 1960s. We need to take bold action. And, with taxes and user fees expiring in September, we have a once-in-a-decade opportunity to do so. The next 6 months are the pivot point. If other countries around the world are moving toward the system of the future, why can't we? Aviation is just too critical for Americans to be satisfied with taking a backseat to the rest of the world.

Fortunately, there's good news on the horizon. We know the answer to the challenge that brings us here today. America needs the Next-Generation Air Transportation System. Without it, we will cease to set the pace for global aviation. We will be the country others will be talking about as a lessons-learned exercise, the country that could identify its problems, but couldn't fix them.

In layman's terms, the NextGen is an integrated plan utilizing modern technology, updated procedures, and new equipment to get us beyond the current system of ground-based radar technology and into the second century of aviation, with satellite-based operations. Let's face it, satellite technology has revolutionized the trucking industry. Trains use it. Fishermen use it. Hikers in our national parks use satellites. Isn't it about time we put this technology into the hands of our pilots and our controllers?

Make no mistake, this isn't pie-in-the-sky. We have a clear vision for NextGen, and a plan to execute it. Both were developed in partnership with our stakeholders and from across the spectrum of aviation, from pilots and airlines, to mechanics, to Wall Street, and beyond. They agree. We agree. NextGen will get us where aviation needs to go. But we need to act quickly if we hope to avoid that doomsday scenario.

"Why is this so important?" you might ask. Countries like China, India, Australia are aggressively adopting satellite technologies. Europe is moving ahead with SESAR. That's the rival version of NextGen, and it's based on satellites.

Fact is, the rest of the world is not waiting for the United States. And, while the rest of the world has their action plan in high gear, we risk getting bogged down in a debate over who's going to pick up the tab.

Truth be told, right now the passenger in the middle seat is footing the lion's share of the bill for the operation of the system. The commercial traveler is paying 95 percent of the costs, but is imposing only 73 percent of the requirements. Imagine being at a restaurant where you're required to pick up the tab for the people sitting at the next table. It's not as farfetched as it sounds. It happens in our skies every day. A seat on a commercial jetliner is the most heavily taxed spot in aviation.

This year is a once-in-a-lifetime opportunity, presenting a rare chance to leave an extraordinary legacy for our children. But to successfully develop the NextGen system, we need a revenue stream that's tied to the actual costs of our operations. We need a revenue stream that's equitable. In other words, all users pay their fair share.

I can't say it more clearly. The hybrid financing system that we put on the table yesterday is balanced, is fair, and it delivers on all these counts. A cost-based system is much more transparent and accountable for the FAA, for passengers, and for users. And, frankly, it gives Congress much more insight into the costs of our operations for oversight purposes.

Despite all the hype that you've undoubtedly been hearing, moving to a user-based system is hardly unprecedented. In fact, I mentioned several countries before, but here's another list to think about: Barbados, Brunei, Guinea-Bissau, Kiribati, Kuwait, Namibia, São Tomé and Príncipe, Swaziland, Togo, and Tuvalu. That list represents the only countries that do not charge for the actual cost of air traffic services. Do we really want the most powerful nation in the world to be on that list?

Speaking on behalf of everyone who flies, the first and foremost benefits of our proposal are to the passenger. The bill that's moving forward reduces congestion. It alleviates delays. It provides tax relief. It's green. And, make no mistake, it delivers the technology to make all of this happen. This is the only way to go. America has the opportunity. We have the solution; and we need to put it in motion.

In closing, let me say that we have been presented with a historic opportunity to alter the future of aviation by creating a next-generation system that truly delivers. We owe it to the traveling public. We owe it to America. Our economy hinges on aviation, and we can ill afford to blow this chance to give our citizens a system that can handle what the future may bring and avoid all the gridlock.

The Members of this Subcommittee will be very key players in this endeavor, and I look forward to working with you to make it happen.

Thank you very much.

[The prepared statement of Ms. Blakey follows:]

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

Chairman Rockefeller, Senator Lott, Members of the Subcommittee, I am happy to appear before you today to discuss the Administration's proposal to reauthorize the programs of the Federal Aviation Administration (FAA). I have mentioned in my previous appearances before you that we have been working very hard on this proposal for quite some time. With both our programs and our funding set to expire

at the end of the fiscal year, we are presented with an important opportunity to make needed changes.

The essential question is: why should we change the current financing mechanisms? The answer, simply put, is that the current mechanisms are not well suited to support the transformation to the Next Generation Air Transportation System (NextGen). This transformation is essential. As we look out into the future, we see a system that will need to grow to accommodate the demands of our stakeholders and the flying public. The current financing mechanisms—both in terms of taxes and spending—are not tied to FAA’s cost to deliver services, and therefore are not scalable to meet these growing demands. To deliver the benefits of NextGen, it is essential that a reliable funding stream that better ties our income and our outgo are better tied to the services we provide. NextGen is a reachable goal only if its development and integration is not left to the characteristics of a funding system that does not cover the costs of the system and the services provided. A reliable funding foundation is essential and failure to provide one may well result in tangible programmatic problems in the near term.

Ten years ago, the last funding debate resulted in a lapse of the taxes. At that time, the uncommitted balance of the Aviation Trust Fund was sufficient to sustain continued funding of the aviation accounts without disruption to the system. Today, the Trust Fund balance cannot support such a lapse, and thus such a lapse would have potentially significant consequences. We must approach our work this year as being crucial to the future of aviation. I am sure the debate will be robust and I am anxious to take part in it. We all understand the importance of this industry, just as we are all committed to its success. It is because of our shared values and goals for aviation that I am confident that hard work and dedication will result in a new and better system for funding the FAA.

The Administration’s proposal creates a financing system where what users pay into the system—whether user fees or taxes—and the benefits they get out of the system will be more stable and transparent. The proposal adopts a cost-based financing system for the FAA through new user fees and fuel taxes. Most commercial aviation operators would pay for the costs of air traffic control services through user fees and general aviation would pay for these services through a cost-based fuel tax. The new user fees will allow aviation users to pay directly for the services that FAA provides in managing the use of the national airspace. This linkage between what users pay and what FAA invests in will be critical to facilitate our transition to the NextGen modernization of the air traffic control system.

The new system will facilitate more reliable, more predictable, and less congested air travel for the traveling public. A newly created Board will give our stakeholders a significant role in key agency financial decisions and will provide strong incentives for the FAA to control costs and meet the demand for services efficiently. The financing proposal is the product of both significant consultation with the public, including our aviation stakeholders, as well as a detailed analysis of the current financing system and various alternatives. We have attempted to balance the diverse views that our stakeholders have expressed with the need for a stable, equitable, and cost-based funding structure. Our recommended solution builds on the work of numerous bipartisan commissions from the past two decades, including the National Civil Aviation Review Commission that Congress created and that former Secretary Mineta chaired approximately 10 years ago.

Today’s funding system is largely based on taxes that are, for the most part unrelated to the costs of the services provided by the FAA. While this system has worked well in the past, changes in the industry require that we replace it with something that better reflects the cost of providing service. The success of low cost carriers has been a tremendous benefit to the flying public, but in many instances it results in two identical operations, imposing identical costs to the FAA, paying very differently into the system because so much of the current revenue stream is based on the cost of the ticket. Similarly, as airlines work to control costs per enplanement, they are using increasing numbers of small aircraft. This trend adds to the workload of our air traffic system without increasing tax revenue commensurately. If an airline carries the same number of passengers (at the same fares) on two smaller jets instead of one larger jet, the tax revenues do not change, but the controller workload doubles. Our latest forecasts indicate that the trend to use smaller aircraft by airlines will continue, especially as the current system provides no incentives to the airlines to respond to the costs that a switch from large jets to regional jets imposes on the air transportation system.

The results of these trends are best captured in the two charts that I have included with this statement. The first depicts the uncommitted balance in the Trust Fund in FY 2006. This information clearly supports the need for immediate action to prevent any lapse in funding. The second chart compares the Trust Fund revenue

to the activity levels in the system. There is clearly no connection between the two. The recent industry changes I discussed have resulted in this disconnect being even more apparent. It is extremely important that a connection be established to ensure an uninterrupted, stable, reliable funding stream to transition us to NextGen.

Under the current tax structure, it is clear that taxes paid by different user categories do not generally reflect the costs those users impose on the system. Commercial airlines and their passengers currently pay over 95 percent of the Trust Fund taxes, but our cost allocation shows that they account for approximately 73 percent of air traffic costs. In many cases, “high end” turbine (jet and turboprop) general aviation (GA) flights are consuming similar FAA and airspace resources as the commercial operators, but paying only a fraction of what commercial operators pay.

Because of the fundamental disconnect between the existing tax structure and the FAA’s workload, we strongly believe that the FAA needs to move to a different, more rational funding mechanism. I want to be clear that this proposal is not about collecting more money for the FAA, it is about creating a more rational, equitable, and stable system that provides appropriate incentives to airspace users to efficiently use increasingly congested airspace, to the FAA to control costs. Moreover, by adopting new discretionary user fees, the Administration’s proposal gives FAA the flexibility to meet the financing challenges of NextGen and facilitates modernization of the aviation system on an assured and predictable basis.

Let me describe in greater detail how our proposal would fund the different parts of the FAA.

#### **Proposed Funding for the Air Traffic Organization (ATO)**

The cost of ATO’s services will primarily be funded by those operating in the system. The manner of contribution will vary depending on the type of operation. Turbine commercial flights would primarily pay user fees; general aviation and all piston-powered flights would primarily pay fuel taxes; and the General Fund would finance the costs of services provided to public users and other programs that we believe are in the general public interest.

User fees would apply to turbine commercial flights, including those by U.S. and foreign airlines, passenger and freight carriers, domestic and international flights, charter operators, and regional airlines. They would cover all flights by jet aircraft that are considered commercial under current tax code, including air taxis and flights operated under fractional ownership. Collecting user fees for air traffic services is an internationally accepted practice in widespread use around the world, and would be consistent with the recommendations of at least seven bipartisan commissions that have studied this issue over the last two decades. These fees would be based on data derived from the agency’s cost accounting and cost allocation systems—including the operations, maintenance, and overhead expenses for the services provided, the facilities and equipment used in such services, and the projected costs for the period during which the services are provided. Existing U.S. overflight fees would be integrated into these new user fees. While the proposal gives the FAA and its users latitude in how the fees would be structured, these fees would clearly tie FAA revenues much more closely to the actual cost of the services provided. We anticipate that approximately three-fourths of the Air Traffic Organization’s budget would come from these user fees. The fees would be dedicated to air traffic control and related services and would be treated as discretionary offsetting collections for budget purposes. The proposal also authorizes a reserve, funded by user fees, which FAA would use to minimize the need for increases in fee rates that might otherwise be required to avoid funding shortfalls attributable to unanticipated reductions in aviation activity, or to emergency requirements.

The general aviation (GA) community and piston commercial operations would contribute their allocated share of air traffic control costs primarily via a fuel tax. DOT has considered stakeholder feedback from this community and accepts the argument that the efficiency and simplicity of the fuel tax mechanism merit its continued use as the primary mechanism for GA’s contribution to FAA funding. Our goal is to identify the costs associated with these users and then to set the fuel tax rates to recover those costs. We anticipate that just over 10 percent of the ATO’s budget would come from these taxes, which would continue to be deposited in the Airport and Airway Trust Fund and be subject to appropriation. The bill proposes periodically recalibrating the portion of the GA fuel tax dedicated to funding ATO based on updates to FAA’s cost allocation study.

In addition to the fuel tax, GA and piston commercial flights may be subject to a terminal user fee when they arrive or depart at one of a limited number of large hub airports. In general, these airports are the most congested terminal facilities in the aviation system, and all users at congested facilities contribute to congestion for other users. Given that large hub airports are in metropolitan areas that have

alternative airports, which would not be subject to this fee, we believe it is appropriate to apply fees to all users of the most congested airports.

The costs associated with air traffic control service for military and other public users, as well as other functions and services deemed to be in the general public interest would be funded from the General Fund appropriation, as discussed below.

#### **Proposed Funding for Aviation Safety**

The funding proposal includes modest user fees to pay for the costs of 25 activities in the areas of certification and registration. These include issuance of certain certificates, appointment and training of designees, registration of aircraft and airmen, airmen medical certificates, and training provided to other aviation authorities. All of these activities are specific services that FAA provides for individual businesses; other Federal, state and local government agencies charge for similar services, as do many international aviation authorities. In fact, FAA currently charges fees for many of these services; however, the current fees are set significantly below the cost of providing the service. The legislation specifies the amount to be charged for 12 specific services. Thirteen other activities are identified for which fees will be collected, but do not have the unit charge specified as FAA's cost accounting system is still being implemented with respect to regulation and certification activities. As with the ATO fees, the charges for these activities will be determined based on the available data derived from the agency's cost accounting and cost allocation systems and revenue from the fees would be treated as offsetting collections. Based on the historical cost of these activities, DOT anticipates that approximately 10 percent of FAA's Aviation Safety budget will come from user fees.

Regardless of the type of product or amount of fee determined for that product, FAA will always make fee decisions considering safety first. We are also mindful of the significant international leadership role of both the FAA and the U.S. industry, and the fact that benefits from many aviation safety functions (such as ongoing surveillance) are widely dispersed to the traveling and non-traveling public. No fee structure will compromise the FAA's statutory safety responsibilities or the U.S. aviation community's ability to remain the world's principal system innovator. As a result, we are proposing that the vast majority of FAA's aviation safety responsibilities remain funded from the General Fund.

#### **General Fund Proposal**

The Administration derived its General Fund proposal by evaluating specific activities to determine whether they are in the general public interest and have a compelling case for a General Fund appropriation. The dollar figures in the reauthorization proposal are based on the following activities and services:

- *Air traffic costs allocated to public users* (military, other government aircraft, and air ambulances), because DOT views providing air traffic control services to these flights as serving the public good;
- *Flight service stations*, because charging user fees for these services would encourage general aviation pilots to fly "outside the system," which would have a negative safety impact;
- *Low activity towers*, because they help provide safe access to the aviation system to numerous small communities and are a critical part of the national aviation infrastructure; the primary users of these terminals (piston aircraft) likely cannot bear the cost of funding them, even though many of these towers are contract towers, which are the FAA's most cost-efficient facilities;
- *Safety regulation and oversight* that are not recovered by user fees, because these regulatory functions benefit the general public by contributing to a safe and reliable air transportation system;
- *Commercial Space Transportation*, because, given the early and volatile state of the industry, it would be virtually impossible to develop a schedule of fees that would generate significant revenue without unduly burdening the industry and placing U.S. companies at a competitive disadvantage compared to heavily subsidized firms from other countries; and
- *The safety portion of Research, Engineering and Development (RE&D)* related to aging aircraft and aircraft catastrophic failure prevention (approximately \$17 million of the RE&D budget),<sup>1</sup> because this research supports FAA's "public good" regulatory functions.

<sup>1</sup>The remainder of RE&D would be funded from the Airport and Airway Trust Fund, and is included in the universal fuel tax rate discussed below under "Proposed Funding for AIP, RE&D and EAS."

### **Transition and Elimination of Other Aviation Excise Taxes**

The Administration proposes that the changes to the aviation financing system take effect at the start of Fiscal Year 2009, in order to provide the FAA with sufficient time to establish user fees and implement a billing and collection system. Our proposal therefore extends the current excise taxes for 1 year to ensure that the FAA has sufficient funding in FY 2008.

As of FY 2009, the existing domestic ticket tax (including the tax on mileage awards), domestic segment tax, cargo waybill tax, and Alaska/Hawaii departure tax would expire under our proposal. The proposed user fees, adjusted fuel taxes, and the adjusted international arrival and departure tax would replace these taxes. This represents a significant simplification of the aviation excise tax system.

### **FAA Governance**

A review of air traffic service providers around the world shows that one of the common changes accompanying the introduction of user fees is adoption of a “user pays, user says” policy—according users a significant role in decisions relating to the setting of fees and the use of moneys collected.

Therefore, a new Governance Board (the “Air Transportation System Advisory Board”) comprised of user representatives and public interest members appointed by the Secretary would have a significant role in the decisions of the agency. Although the FAA Administrator and the Secretary retain ultimate responsibility for the safety and operation of the National Airspace System and thus have the final decision authority, the Board would provide advice and recommendations on the creation and adoption of user fees, and would propose modifications to them on a periodic basis. Under our proposal, if the Board does not approve the establishment or modification of a fee, the Administrator can only implement it after publishing a written determination in the *Federal Register*. This Board would also review and make recommendations with respect to major capital infrastructure decisions and modernization projects, the agency’s strategic plan, and the development and adoption of ATO’s operational performance metrics. Finally, the Board would review and provide advice on FAA’s safety programs, budget, and cost accounting system. However, the FAA Administrator would retain the safety and policy responsibilities and decisionmaking authority of the FAA with user input for these areas in a solely advisory capacity. Of course, as the FAA is a government agency, Congress will always have the ultimate oversight authority.

The FAA Administrator and a representative from the Department of Defense would be Board members, along with members representing airports, air carriers, general aviation, business aviation, aviation manufacturing, and the public interest. The Management Advisory Council and Air Traffic Services Committee would be discontinued with the creation of this new Board.

### **Proposed Funding and Programmatic Reforms for AIP, RE&D and EAS**

The FAA is committed to a healthy national air transportation system. Airports are a key part of the system, and that includes small primary and general aviation airports that rely on AIP funding to help meet their capital needs. We have proposed changes to Federal funding programs that will stabilize and enhance these funding sources for airports.

This proposal ensures that smaller airports that cannot generate sufficient funding on their own can rely on their entitlement funds to complete strategic projects. These airports play an important role in the national aviation system. Therefore, we propose financing the program through taxes.

I am certain our proposed changes to these important programs will be the subject of future hearings before this Subcommittee and look forward to sharing the details of that proposal with you. However, today I will focus my comments on how our new structure will fund AIP and our other important programs.

The proposed taxes are administratively simple and build on existing collection mechanisms. Specifically, DOT proposes funding the AIP program via a set of simplified excise taxes, consisting of a flat, universal fuel tax for domestic commercial and all GA flights and an international passenger head tax for international commercial passenger flights. This universal fuel tax would be in addition to the proposed GA ATO fuel taxes for GA users. Like the ATO taxes, these taxes would be deposited into the Airport and Airway Trust Fund and be subject to Congressional appropriation. The proposed taxes are expected to generate receipts sufficient to cover the proposed authorization levels for AIP, the Essential Air Service (EAS) program, and the Trust Fund’s portion of RE&D. The bill also proposes indexing both the AIP portion of the fuel tax and the international passenger tax to inflation to keep pace with inflation.

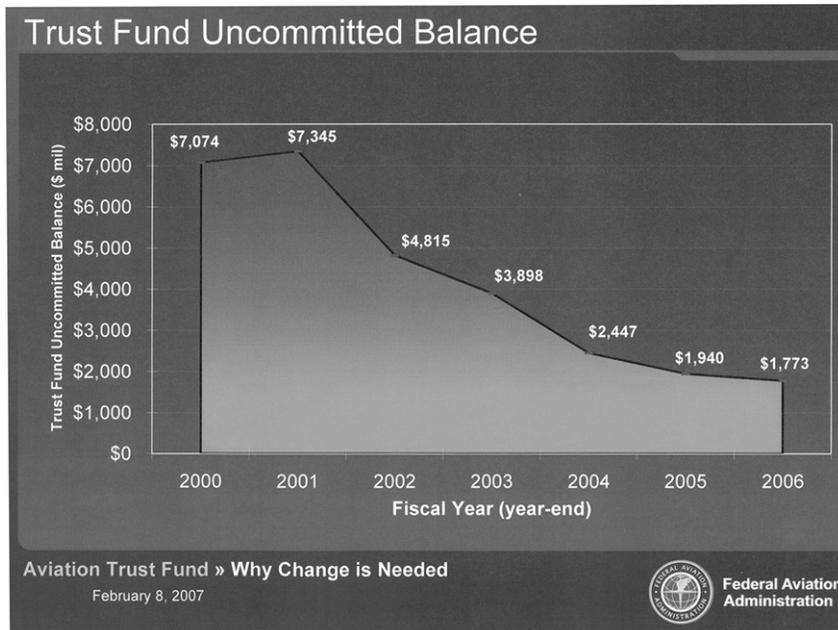
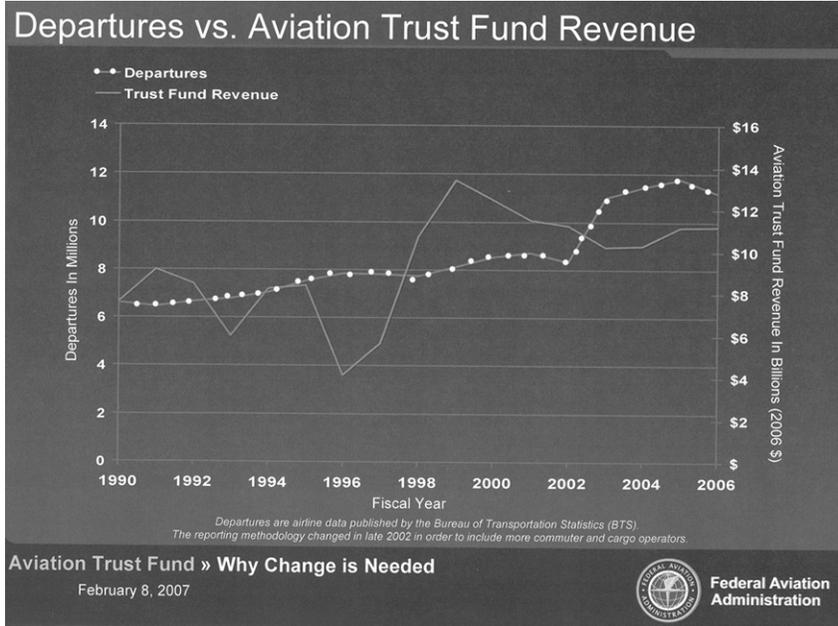
The universal fuel tax and international passenger tax would also be the funding sources for all of EAS and most of RE&D. As in the case of AIP, it is appropriate for users to fund most of the research and development because it ultimately benefits them, but it is challenging to allocate research costs to specific users. Similarly, EAS has a long history of being funded by users through overflight fees; however, it is not part of air traffic control costs, and similar to AIP, is largely a grant program to assist small communities that cannot support service on their own. Therefore, the Administration has included EAS and RE&D funding requirements in the proposed universal fuel tax and international passenger tax rates. However, AIP is the primary driver of the tax rates.

#### **NextGen—Funding of Major Capital Projects**

As I stated at the outset, one of the drivers of our proposed changes to how the FAA is funded is to the challenge of funding NextGen. Implementing NextGen will be a unique transition from the technology of 50 years ago to the technologies of tomorrow and it will require a substantial investment of capital. Financing this investment is something I have very strong views about. Business as usual is not an option. The new discretionary user fees will enable us to fund several important NextGen investments. However, to avoid spikes in the user fee levels the Administration's proposal also would authorize us to borrow through the Secretary of the Treasury beginning in FY 2013 with debt service recovered from users of the system by FY 2017. This authority would contribute to a more business like funding structure, leverage limited resources, and further accelerate the transition to NextGen by better aligning payment for a project with the benefits that project generates and providing greater flexibility to take advantage of capital investment opportunities as technology changes. Examples of FAA projects that may be appropriate for debt financing include safety-critical and mission-essential software and systems that controllers and traffic flow managers will use to support trajectory-based operations in the NextGen system, enhancements to the global positioning system (GPS) technology related to civil aviation, surveillance technology for homeland security and defense, and potential facility consolidation. This authority would be targeted, as noted, for a limited time period (FY 2013 to FY 2017) and would be capped at \$5 billion. We think this innovative authority will give us what we need when we need it.

I want to end by saying that I know we all share the same basic goals for an industry that we all care about deeply. We want a safe system that can meet future demand—one that is cost effective and efficient and that meets the needs of the flying public. We all appreciate the importance of this industry, not only to those of us lucky enough to be a part of it, but to every American. While I anticipate and look forward to a frank and wide-ranging discussion of this proposal and others that I'm sure will be put on the table, I cannot overstate my personal commitment to the need for a funding system that better ties FAA's costs to its revenues and its revenues to its spending. It is the fundamental component that supports all of our important initiatives. So, let the debate begin.

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



Senator ROCKEFELLER [presiding]. Thank you very much, Administrator Blakey.

And we will start the questioning with the very distinguished Senator from Mississippi.

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

Senator LOTT. Well, thank you very much, Mr. Chairman. And thank you for having this hearing.

This morning, we have gotten some FAA proposals that were outlined in the budget, and now we're getting some more of the details from the FAA Administrator. This is a very important area for the Congress to work in this year, and I'm looking forward to working with you, and as the Chairman of this Subcommittee. We've worked together in the past. In fact, we worked together on the last FAA reauthorization, which some people thought would be very difficult, but actually moved along pretty well and in a relatively reasonable time period.

It's going to be more of a challenge this time, because we're going to be talking about more money, and who pays it. And I'm glad that we're having this hearing. I hope we will move out aggressively on the legislative calendar, because we need to get it done before the current law expires—I believe, at the end of September. And in order to achieve that, we need to get it out of the Subcommittee and Committee in the next couple of months, at the very max, and then on to the floor of the Senate, and see if we can't find a window of opportunity to move it through the Senate and get ready for a conference.

I think one of the areas where this Congress can make some real progress this year, in a bipartisan way, is in the transportation and infrastructure area. It's critical for the future of our economic growth. We have tremendous demand for more capacity in aviation, not only in passenger, but cargo, the freight rail cargo capacity, on our highways and bridges, and with our Amtrak passenger rail system. This is a place where we can really achieve some good things this year, and this is, I guess, step one in that effort. And there will be legislation introduced in the Finance Committee, or going to the Finance Committee soon, that will provide incentives for additional rail expansion. Senator Lautenberg and I are working on Amtrak.

Now, what we need is the FAA, and the Administration, generally, particularly the Transportation Department, to get in the game, provide leadership, and push the ball with us. Let's make this a joint aggressive effort.

So, I say to the Administrator of the FAA, I enjoyed working with you over the last few years. You've got a lot of experience under your belt now. You've taken a few barbs along the way, so you've toughened up, where I believe you're ready for the task. And we really do want to work with you to achieve some significant things in aviation. I think this Next Generation Air Transportation Financing Reform Act is good, because you've, you know, put something on the line. I saw, yesterday, where the House had a lot of unflattering things to say about it, perhaps. Of course, my answer to them is usually an answer that causes deafening silence in Washington, "OK, what's your proposal?" And the answer is usually not—they don't have anything to say.

This is when we've got to step up. We have dilly-dallied around for 20 years. We're getting in a real box here. And if we don't address the needs of our—the importance of our modernization of our

air traffic control system, we're going to have continuing growing problems and, I guess, gridlock by 2015. This is when we've got to do it.

Now, again, a lot of the problem is, how do you pay for it? I think you've made an effort here to make a reasonable proposal and try to come up with a proposal everybody is kind of semi-happy with. Usually when you do that, nobody's happy. So, what I propose is that we do more to everybody and make everybody unhappy, and then I think we'll have something we can go with.

[Laughter.]

Senator LOTT. So, I'm not interested, in this case, in trying to adjust the—you know, the great dreams of the carriers, of the airports, of general aviation. Everybody is going to have to get in the game here, and nobody wants—everybody wants it to be—not me, not you; the guy behind the tree. And that ain't gonna work here. So, I do think, you know, we've got to think about it.

There's no question that our current system has some problems with it. It's not fair, in many respects. As I've been through your proposal, obviously there are some details that we're not going to be able to do, but I believe that—you know, Senator Rockefeller and I are going to—with the—you know, the leadership of Senators Inouye and Stevens—we're going to move out aggressively. We'd like to have your input. My attitude has always been, you know, work with the Administration, or without them, but get it done. But this time, I think that your experience and what you're suggesting, we can look at and really, you know, learn from that, and continue to work to get it right.

Now, let's see here. Let me just ask you a couple of questions.

Your proposal does increase the fuel tax for general aviation, like, you know, a little crop duster down in Mississippi, to 70 cents per gallon. Now, that's more than tripling the tax. You know—why is that the right thing to do? They don't put a lot of burden on the system. In fact, usually they're flying under the wires, and, you know, they're just cowboys, basically. And we used to have some weather—I guess—what did we call them—weather flight center stations, which—you closed those, the one in Greenwood, Mississippi. So, I want everybody to pay their fair share, but I don't want anybody to pay more than they should. What's your reaction on that?

Ms. BLAKEY. Well, I will say this. We looked at the position of the general aviation community very carefully in constructing this bill. First and foremost, they said that they wanted to pay through a fuel tax, not through a user fee, which is what most of the rest of the world employs and certainly which is the most transparent and cost-based. They said this was a great administrative burden, and they wanted to keep the fuel tax—and we listened to them. We said, "OK, I think that's fair. We'll have a hybrid system." Fuel tax, pay at the pump, it's the simplest way to do it. That's what we're proposing.

Second, we went through a cost allocation system, and we broke it down into 600 different components. We looked at the question of their argument that, "We're marginal users," especially the small-piston crowd, you know, the ones who are flying smaller planes, and probably not using as much of the air traffic system

at all. And we—every time when we came to one of the costs that were involved, we were pretty careful to not allocate that to the smaller user unless it was very clear that it was fair, and that it fell in their camp.

The final point I would make is that we have the General Fund picking up several very key services for, again, the small general aviation operator, including the cost of the flight service stations, because they're still out there. We have consolidated them, but I would tell you candidly, Senator Lott, that, because we have now been able to have much better technology in those centers, the pilots love the new flight service stations. There are not as many as there were, but there's much better technology for quick-call response and all those kinds of things. So, that service, they've got out of the General Fund, and the cost of the low-activity towers comes from the General Fund, not allocating it to them.

You have to remember that right now in the system, general aviation has—is paying about 3 percent of the cost of the system. They're using about 16 percent. Now, we can look at ways to try to make it less—least burdensome as possible. But when you think about that gas tax that you just referenced, it's still less than 5 percent of the cost of operating a plane. It's not a major burden on pilots and their aircraft. It's certainly much less than the fuel tax that is being paid by the commercial operators. It's not too far off from what we pay in Federal gas taxes for automobiles.

So, all of those things are part of what I would just suggest we are trying to look at, in terms of equity here, to be fair to everybody involved.

Senator LOTT. Well, general aviation, of course, has a lot of people under its umbrella, and they want to stick together. But I don't agree with that. I mean, I do think these small-propeller general aviation aircraft are different from corporate jets, if you will. And I do think there has got to be some way to break down the difference between the propeller general-aviation planes and business jets, for instance. But that's a long discussion, and we'll work through all of that.

One area in your proposal that does bother me is it looks like there is a pretty significant increase in the PFCs. And, you know, I'm concerned about that. I want to have decent modern airports, but I think maybe there's a limit to how far we should have an increase in that area. They do have AIP funds. They do have airport bonding capability. And I really think that local communities should put up more of their own money. So, I'm concerned about the increased PFC, and I'm also concerned about—you don't appear to have any regulation over that. That's going to go to these different airports for them to do as they see fit. Am I misinterpreting that?

Ms. BLAKEY. We definitely have requirements that we place on PFCs, so there is regulation still involved. What we have found, though, over the years of administering the program, is that it does work very well. As you know, it's project-based. It's for specific improvements on the airport. And when they are finished, it goes away. So, it has that strength. It is locally administered. It does not have to come through the Federal bureaucracy. And, to be honest, I think it's also the best way to free up more AIP money to

go to the smaller airports. PFCs work very well for medium and large airports. Going to \$6 a segment, I think, will give them more latitude. But you'll also notice in our proposal that we're moving the large airports away from AIP entitlement funds, and that frees up more grant funds for the smaller airports that really do rely on AIP. You know, the big airports can, between their own ability to raise money through bonds, local revenue, and the ability to use PFCs, they have very strong revenue sources, but the small airports, I think, do rely on AIP. We need to recognize that, and therefore, strengthen that. And that is very much part of our proposal. You will see a number of ways in which that—

Senator LOTT. It looks to me like the—that will mean that if you're flying from Jackson, Mississippi, through Atlanta or—wherever—to, you know, New York, you're going to almost double that PFC charge by the way this is set up. Is that correct?

Ms. BLAKEY. Well, it goes from \$4.50 a segment to \$6. So it's not—it's an add-on. It's about a third. But it's not, you know—

Senator LOTT. Per segment, though.

Ms. BLAKEY.—per segment.

Senator LOTT. See, that's—so, that's—

Ms. BLAKEY. Well, now—

Senator LOTT.—that's a lot more than it sounded like what you just said. You hit—if you make three stops headed somewhere out West, you just got hammered.

Ms. BLAKEY. There's a two-segment limit.

Senator LOTT. Two-segment limit?

Ms. BLAKEY. Per one-way. So, if you're flying roundtrip, there's a four-segment limit. But that assumes, of course, that Jackson thinks it should, and can, charge a \$6 PFC. They may say, "Look, to be competitive, we're not going to do that." So, it's a local decision. And, as I said before, you know, it goes and comes, depending upon the project itself.

Senator LOTT. Well—

Ms. BLAKEY. It's been a very important tool for airports. I would certainly urge that there be more discussion with the airport community about this. We felt this was a good compromise, because, again, it also helps us help small airports.

Senator LOTT. Well, I'm going to yield because I'm way over my time. I thank the Chairman for giving me this extra time. There has been a surge in expansions, improvements, and rearrangements at our airport terminals all over America, driven, a lot of it, by homeland security. Now, most airports have worked through that, and they have more screeners, and, you know, the airports are actually, I think, generally speaking, a lot more accessible and significantly improved. So, my question—my doubt, in my mind, is, do we need to continue to feed that in this process? I'd rather have them take that money and put it in modernization now, rather than terminal expansion.

But, at any rate, thank you, Mr. Chairman, for your allowing me to go over time.

Senator Lautenberg, thank you very much for your leadership in this transportation area.

And I look forward to working with you, Madam Administrator, as we go forward.

Senator ROCKEFELLER. Thank you, Senator Lott.

And I'll turn now to Senator Lautenberg.

Senator LAUTENBERG. Thanks, Mr. Chairman.

It was interesting for me to join with Senator Lott in the thought process about how we solve some of these problems. And obviously, high-speed rail service comes to mind. It is, I assume, Ms. Blakey, you recognize that the airspace is finite, and we just can't keep putting more there. At some point, is it possible that we might say, "OK"—well, we're effectively doing it by using the delay tactic, right? I mean, we're saying, "OK, sit there for a half hour while the space clears up between here and New Jersey/New York." So, that keeps the number of flights in the air at a given time at a particular level. But with the introduction of the very light jets and with the record-breaking travel position that we've got ourselves in now, record number of people flying, what happens if we continue to operate with too few controllers, and the load simply increases?

Now, for instance, last year, Ms. Blakey, you told me that Newark Airport needed 35 controllers to conduct safe operations there. But there are only 28 active controllers there now. And I don't know how much of the delays that we run into at Newark, because of the unenviable record that we've compiled—and that is, the worst delays in the country—how much is due to the fact that there might be a shortage of controllers? And what's happening with overtime requirements and what will we do to fully staff Newark, and, maybe, help bring down some of those delays, as a result?

Ms. BLAKEY. I wish, frankly, it was as simple as a staffing issue. It isn't. The delays are not a result of a shortage of controllers.

Let me give you some up-to-date figures, too, on Newark, because it might be helpful just to level us up on this.

Currently at Newark, we have 31 total controllers. There are 27 fully certified controllers, CPCs. And we also have three additional controllers who are working CPC I-T, as we refer to it, and one developmental, which is one who's in training, but is able to work on certain sectors. We are looking, at this point, at bringing in six additional hires this year. So, as you see, we'll be up to about 37, at that point. So, the controller issue is really not it.

When you look at the overtime there—I mean, we have the money for overtime—overtime at Newark is only running .8 percent of the payroll. That's low.

Senator LAUTENBERG. Well, then why would we be looking to bring the level up to 36 controllers? There's something that's just not working out here. We were promised 35 last year. Now we're promised 36 this year. And will we be looking at this next year and saying that we're going to go up to 37? As long as we don't have them, we may as well keep on adding numbers.

Ms. BLAKEY. The real dynamic here that we're all trying to calibrate and get right—because, as you know, you can't precisely know when people are going to retire; that's a function of family circumstance and a lot of things—but, as you know, we do have a retirement bubble throughout the system. So, what we're trying to do, particularly at our very critical facilities, like Newark, is get a bit ahead of the game, because if we have additional retirements, you want to have—you want to ensure that you've got enough people in the facility. And so, that is one of the things.

We're bringing out a controller staffing plan at the beginning of March, so I think that will be very helpful to you all. It's the third we have done. It's an update. It will give you all the figures that we currently project, by facility, We'll have a range there. And we are going, also, to detail, again, the advances we're making in training and what we're doing to ensure that we are going to be ahead of the retirements as they come.

Senator LAUTENBERG. Ms. Blakey, I know that you work hard. You've got a lot of experience. We've had a shortage of controllers for some time now. And the safety record of our aviation system is fantastic. It really is. I mean, the number of movements, the weather problems that have begun to occur on a more frequent basis, it places a strain on things generally. I'll have some questions for you that I'll submit in writing.

One of the questions that I have, and I've talked to my colleagues—and that is, we know we need more money to pay for the operations of FAA and the aviation system, as we know it. And the prospects of the very light jets, while it is a—it must be a wonderful one for those who are—got one of these ordered, but it's going to bring havoc, I think, in terms of the controller responsibilities. One question that I have—and I pass this on to Senator Lott and Senator Rockefeller, as well—and that is, at what point will we say to the average passenger that, "Your ticket price has gone up so much that you'll not be able to take to the air, as you do now"? Because one of the things that's helped so much to bring these numbers up to record levels is that fact that we have these low-cost airlines. They're carrying a lot of people, carrying them very well, if you look at their balance sheets and operating statements. But what happens as we get into a new system? We're going to have to think very carefully about how we do the financing here. Because whatever we do is ultimately passed on to the passenger. And is flying going to be a luxury for those who can afford it, and leave modest-income earners unable to buy a seat in an airplane?

Thank you.

Senator ROCKEFELLER. That's it?

Senator LAUTENBERG. That's it—I don't want to strain the atmosphere here into becoming an arithmetic exercise, but—this is going to require some significant thinking—

Senator ROCKEFELLER. No—thank you, Senator Lautenberg.

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

Senator ROCKEFELLER. I apologize for being a few minutes late, and I'm happy to see you, Ms. Blakey.

And I also want to say that my goals for reauthorization are very simple. First, we have to establish a roadmap for implementation of the next generation air traffic control system. That's taking it from the ground up into the air. It's expensive. It's difficult. It has to happen. Second, we must adequately and fairly fund this system. The word is "fairly," as well as "adequately." Third, we must adequately invest in our Nation's airport infrastructure. I always think of O'Hare Airport when I think about that, and the effect that a reconfigured air runway system at O'Hare—what that would mean for the rest of the Nation. It would be gargantuan. As public

citizens, we can't really understand that, but if you're interested in aviation, you know exactly what that'll mean. And fourth, as Senator Lott and I would always talk about, and that would be the continuation to improve small communities' access to the Nation's aviation system. And that's not because we come from little states, although that helps. It also is because it's got to work. The whole system's got to work. This is a system for everybody. You don't vaccinate people from Pennsylvania and forget people from West Virginia. I mean, it's a national thing.

Now, let me also say that I have been increasingly attracted to the idea that we have to face up to the great discouragement, and perhaps upset, of a number of parts of this industry, you pay what you get for, and if you don't participate, you don't get it. And that it's going to be some 20 to 30 years before the Federal Government, in my judgment, is going to be able to participate the way we once thought we could, because of a whole combination of things, which I won't get into here. And therefore, we have to have airspace moderation, we have to have, you can call it whatever you want, but there's nothing in the word "user fee" that offends me. There really isn't. It offends a number of sections of the airline industry. But I can't help that. If our job, and your job, is to leave a system that works, or begin to put into place a system that works, then we have to take these issues on forthright, regardless of what some of the criticisms may be.

You are, I think, probably, unfortunately, leaving at the end of this summer. That's not very much time, and that's a great sadness to me, personally, because I think you've been great.

Senator LOTT. Well, Mr. Chairman, if you'll yield. We haven't—

Senator ROCKEFELLER. Yes.

Senator LOTT.—agreed to that, have we?

[Laughter.]

Senator ROCKEFELLER. No, we haven't.

Senator LOTT. So, this is not clear.

[Laughter.]

Senator ROCKEFELLER. Yes, the Senator from Mississippi straightened me out, and I accept that completely, quickly.

[Laughter.]

Senator ROCKEFELLER. In any event, we've all got to be fair about this. And America likes to be fair, except when it involves them.

And, this is a terrible thing to say, but JetBlue had a terrible series of experiences the other day, with waiting. And, you know, so have other airlines. And that happens; and passengers get furious. I've been in that situation, from Denver to Jackson, Wyoming. I get furious. So what? I get there, eventually. Maybe I sleep on the floor in the airport. But it doesn't make any difference. I get there. It's easier than bicycling.

[Laughter.]

Senator ROCKEFELLER. And so, I mean, all of these, sort of, perspectives of, "You pay for what you're going to get" if you're looking at very light jets, and up to 5,000 of them in the next 15 years, you have to have an air traffic control system that is able to measure both laterally and altitudinally, just exactly where they are,

and how far apart they are from each other, as well as how far they land from each other. And that is science. That is science. And so, I'm generally of that mind. OK? I think I've said that to you before, but I'm not sure. But I'm saying it to you now.

So, knowing that the different parts of the community are going to be very unhappy with all of this, isn't the best way for—and you're stuck—I'm sorry—you are further burdened, with the Office of Management and Budget. And so, isn't the best way, for you and us to get together and sit down and figure out and hand the Administration, if that's what we must do, a solution to this problem, and do it fairly quickly? Because the iron is very hot right now, because we have a huge budget deficit, we have enormous numbers of really important things being cut way back in this country that we can't do without, but there are only a few of them which—like homeland security and other things—which affect everybody, at one time or another. Aviation is one of those. So, in the depths of our difficulties may be the best time to face up to these problems, because we are all joined in suffering from them.

So, it occurs to me, it isn't even close to a statement. But if you wanted to say that you agreed with me, I wouldn't object.

[Laughter.]

Ms. BLAKEY. Well, I think I agreed with almost everything you said there. I'd have to go back through all of those items. But most of it certainly hit home in a very real way, because you're absolutely right about the need to move to the next-generation system. It's imperative.

I do believe that user fees make a great deal of sense, because they are very much tying our costs and our revenue together. They have these advantages, which we've worked very candidly and closely with OMB on. But, I won't pretend our proposal is perfect. I am certain that this Committee will have good amendments to it, and may have a better ideas.

But I will say this, a user-fee system allows for offsetting collections, so you are not competing against the rest of the discretionary budget. That is very important.

We also have borrowing authority. Now, that is a first for the FAA. The importance of being able to put that forward is that it smooths out these big capital investments. We know they're coming with the NextGen. If we can accelerate them and put the system in place earlier for all those who fly, it maximizes the benefits. But we all know, none of us pay for major capital investments on a cash-and-carry basis, which is what we've been attempting to do. The potential that we can, if needed, use that kind of authority, again, goes back to a fee-based system. That's what enables that.

So, I would recommend looking at some of the mechanics that we have there, as well as the fact we believe it makes sense to have a hybrid system. For the general aviation users, they have a simplified fuel tax, which is the way they prefer to pay, and that supports AIP and supports some of the grant programs—

Senator ROCKEFELLER. Right.

Ms. BLAKEY.—that are important, like Essential Air Service. That's also built into that.

Senator ROCKEFELLER. Right.

Ms. BLAKEY. So, I don't know that, as I say, we've gotten it all right, but I think that we certainly have offered a starting point.

Senator ROCKEFELLER. This is the first in a series of hearings. We're going to work this out very carefully. We're going to spend a lot of time together. And you have the Chairman and Vice Chairman of the Aviation Committee agreeing on a general approach that may or may not coincide with what the Chairman of the full Committee and the Vice Chairman of the full Committee think. But, frankly, I'm interested in our thoughts, because what we work on together usually comes to be the fact.

I thank you, and I call on Senator McCaskill.

**STATEMENT OF HON. CLAIRE McCASKILL,  
U.S. SENATOR FROM MISSOURI**

Senator McCASKILL. Thank you, Mr. Chairman.

I would make one comment before my questions. And that is, in the short time I've been here—there are two kinds of revenue enhancements. And I've discovered that if you're for them, it's a user fee, if you're against them, it's a tax.

[Laughter.]

Senator McCASKILL. I mean, that's kind of the way I see this developing around here.

First of all, let me say, I have reviewed some of the financial documents—not all, though, I would like to—as it relates to the performance of your agency. I have looked at the most recent financial audit, and I've noticed that there was a qualified opinion. And obviously, that is a huge flashing red light to me. To get a qualified opinion on a financial audit is a big deal. And it was in the area of lack of support for the accuracy of \$4.7 billion worth of equipment. I would certainly hope that the FAA would address this as quickly as possible. And any information that you would have on that qualified opinion, and any information that you would like to submit that would clarify the situation as to making sure that we have the right processes in place to not get qualified financial audits when we're talking about purchasing things with taxpayer money, I would appreciate it.

In subsequent hearings, hopefully I will have an opportunity to go over some of the GAO work that's been done, and some of the IG work that's been done on your agency. Today, I would like to talk about the outsourcing of maintenance, and that issue as it relates to three things: reliability, cost, and security.

It is clear that outsourcing of maintenance has become a common practice within the commercial airline industry. It is clear that there is not the same kind of oversight on these facilities as we have on the maintenance facilities that are located here in the United States. I would appreciate it if you would spend some time explaining, what kind of on-the-ground inspections do we currently have within the FAA—I'm not talking about computer models, I'm talking about kicking-the-tires inspections—what kind of FAA inspections do we have in the facilities that are located in other countries?

Ms. BLAKEY. All right, I'd be happy to talk about that.

Let me simply point out that the FAA only certifies—because I assume you’re talking about foreign repair stations here; that is the concern. Is that—

Senator MCCASKILL. Correct.

Ms. BLAKEY. FAA only certifies repair station in countries that have extremely robust oversight capabilities, as we do. In a global industry, obviously it is imperative that you have facilities that can handle repairs around the world. But it is only in countries that do have comparable ability to exercise oversight.

We have a very robust system of working with those countries, of going over for audits, of going over for careful review of the specific inspections that they do, and the specific documentation they provide. And it is something that is a very key ongoing aspect of our surveillance and oversight.

We also, as I’m sure you’re aware, provide those kinds of services in this country to foreign carriers. Again, in an open global system we actually probably undertake more in this country for foreign carriers than our carriers have done abroad. But it has to be the case that that’s provided.

And, obviously, in a competitive system, such as the airline system, it is up to the carriers to make business decisions as to whether they want certain kinds of maintenance performed. We have no reason to think, whatsoever, that the current system of foreign repair stations is not delivering all of the oversight and the safety required. As I mentioned earlier, we are in the safest period in aviation history, and there have not been indications that we are falling down in that area in any way. I know it has been an issue for some of the carrier labor unions that have been involved. But, in terms of the kind of actual data on this, what we see is a very, very, safe system. We maintain that kind of oversight.

Let me add one other thing, because I share your concern about a qualified opinion on our audit. It was certainly something that we were most concerned about, after having had four clean audits in a row. What it goes to, though, really, is not at issue in the system that we are advancing for your consideration, of financing, because it is about the construction and progress account, and it is about providing those assets with adequate documentation for capitalization purposes. It’s an accounting issue, and it’s a—one that we very much are going to address.

But a lot of this is very old, and goes back to 1998. While some of it’s from 2004. It’s something we simply have to clean up. I think, to be honest, the FAA put a lot more emphasis on safely putting these assets into commission, and all of our operational aspects, than on doing the paperwork of providing them for the capital asset account. We will clear it up. We have a major endeavor this year to get this taken care of.

Senator MCCASKILL. That’s great. I appreciate that, and I’ll look forward to getting information about that.

Going back to—so, I assume that your answer is, we don’t have any FAA inspectors that travel to foreign countries to look at maintenance facilities in other countries.

Ms. BLAKEY. No, I’m sorry, I must not have spoken clearly. We absolutely do. And not only do we have them travel there, we have them based there as well.

Senator McCASKILL. And——

Ms. BLAKEY. I can give you a lot more information about our inspector workforce abroad, if that would be helpful.

Senator McCASKILL. That would be great. And I'd like the cost of that.

[The information referred to follows:]

**Information on FAA Oversight of Repair Stations**

Currently, the FAA has certificated a total of 4,923 repair stations, of which 693 are located outside the U.S. and are commonly referred to as foreign repair stations. Foreign repair stations must meet the same performance standards as those for repair stations located within the U.S. As a prerequisite for FAA certification, they must show that the foreign repair station certificate is necessary for maintaining or altering U.S. registered aircraft and articles for use on these aircraft.

In support of the 693 foreign repair station certificates, the FAA provides oversight of these repair stations with approximately 67 aviation safety inspectors (ASI) located in 6 offices (known as International Field Offices) that are located both in the United States and abroad. In the United States these offices are located in Miami, Dallas and San Francisco and, overseas, they are located in Frankfurt, London and Singapore.

FAA currently has a total of 33 aviation safety inspectors located overseas—7 inspectors in Singapore and 26 in Europe, including the London and Frankfurt offices. The cost of having these inspectors located abroad is \$9.5 million including payroll, overseas allowance and fees associated with the International Cooperative Administrative Support Services (ICASS), which is the means by which the U.S. Government provides and shares the cost of common administrative support at its overseas diplomatic and consular posts. Additionally, the cost budgeted for travel to work locations by these inspectors is \$1.5 million. Therefore, the FAA's total cost related to our overseas staff and their work is \$11 million.

What is also noteworthy is our work, on a bilateral basis, with countries to improve and harmonize oversight of repair stations through the use of a "country-to-country agreement", known as a "Bilateral Aviation Safety Agreement with Maintenance Implementation Procedures" (BASA/MIP). Currently, the United States has individual BASA/MIP agreements with France, Germany, and Ireland. These agreements remove duplicative efforts of the FAA and the national aviation authority (NAA) and provide for each authority to perform certification and surveillance activities on the behalf of the other.

For those foreign repair stations that are not located in a country in which we have entered into a BASA/MIP agreement, certification and surveillance activities are performed solely by the FAA safety inspectors and in the same manner as performed for repair stations located in the U.S. We should note that repair station certificates for these repair stations located outside the U.S. are required to be renewed after the first year of operation and every 2 years thereafter; such renewal requirements do not apply to repairs stations in the U.S.

Senator McCASKILL. And I'm assuming the cost of basing inspectors and doing inspections outside of the country is greater than of the cost inspecting maintenance facilities here in the United States.

Ms. BLAKEY. It is greater to have inspectors abroad, there's no doubt about it. But, again, I refer to the fact that this is a global network of facilities that our carriers and foreign carriers have to rely on in other countries. There's really no other choice than doing it this way.

Senator McCASKILL. But if an airline is choosing to outsource its maintenance to another country because they can do it more cheaply there, shouldn't they be bearing the direct costs of the additional expenses of government in inspecting those facilities?

Ms. BLAKEY. I don't look at it that way, because, up until this point, we have been providing safety and surveillance oversight as a public good. And that is the way we've approached safety all along. We don't tend to charge for those kinds of services. And I

would suggest that the Congress has been very supportive of that approach. You will see that, in the current proposal we're making to you, about relating our costs to the taxes and fees, we are not proposing to shift the cost of the bulk of our safety oversight into a user pays system.

Senator MCCASKILL. But that's exactly the point. So much of what you're asking for is a user-based system, "pay for what you're using," but yet—we are allowing commercial airlines to outsource their maintenance at a much lower cost to another country, but they're not having to absorb any of the additional costs of inspection, any of the additional costs that our government is having to embrace to make sure that those aircraft remain safe. That, to me, doesn't seem to be fair. And it certainly doesn't seem to make sense, in light of what you're proposing, and that is that we go to a more user-based system for fees.

Ms. BLAKEY. Well, I would suggest this. We could talk about this at much greater length, but what I would maintain is that it is imperative that we have an inspector workforce that can provide the support for foreign repair stations, because, again, our carriers are serving those countries, and they need those services. I can't imagine a system in which we would not do so. So, the cost issue, and how that is borne, we can discuss at greater length. I'm happy to do that.

Senator MCCASKILL. I would like to do that.

Mr. Chairman, I would like to make a request, on the record, that we look at, in a hearing, the whole issue of outsourced maintenance. And there's a recent publication, just out, that goes through a lot of these issues in detail as it relates to these inspections and the outsourcing of this, especially as we're considering more user-based structure. I think this is a situation where maybe a user-based structure might also be important.

Thank you, Mr. Chairman.

Senator LOTT. Mr. Chairman, if I could ask just a couple more questions? We do have a series, I believe, of three stacked votes now, so I won't take up too much time, so other questions can be asked.

Let me just ask this, how much is this next-generation system going to cost, as best you can predict it at this point? I know you surely have taken a look at that. Or, at least in 2008, what is the estimated cost that you anticipate?

Ms. BLAKEY. Well, remember that, of course, a system like this, you ramp up from an R&D level, then through the demonstration projects, and then really into implementation, which is where the big bucks come in.

Senator LOTT. Right.

Ms. BLAKEY. In 2008, we are proposing, in the President's budget, what I think is a very strong support for the NextGen R&D and some demonstration projects, of \$173 million. This is, of course, an add-on to the additional capital investments we are making in the current system. And some of that current system, of course, is baseline support, is foundational support for the NextGen technologies, like ADS-B, Automatic Dependent Surveillance-Broadcast. In the 5-years of the figures we have in the President's budget, you will see that we are at \$4.6 billion.

Senator LOTT. So, it ramps up pretty—

Ms. BLAKEY. Oh, it ramps up.

Senator LOTT.—fast. Yes.

Ms. BLAKEY. What you will also see is that, as we discuss with you all the details on NextGen—and we will be providing you more of this in a report—we anticipate that the costs of the infrastructure for the NextGen system will be in a range. Because there's no corporation in America that can tell you, 20 years out, exactly how much those capital investments are going to be, and exactly how much the technology's going to cost. But we do believe it is going to cost a range of between \$15 and \$22 billion for the infrastructure. We also believe that there's a corresponding cost to those who are going to have to equip the avionics to be able to use this, and we see that as being around \$14 to \$20 billion. So, it's a range, right now, but that gives you some idea.

I think we're getting it pretty close to right, because I'll tell you a couple of other ways of looking at this. We had a advisory group that comes in from all of the stakeholder commercial community, and asked them to do a great deal of analysis on this. They came up with an estimate that is about a billion dollars a year. When you look at what I just suggested, that's about what it's costing, over the next 5 years.

Senator LOTT. Madam Administrator, one thing I do hope you will do, you need to make sure that you put in place, for your successors in the future, very careful, very close scrutiny—potential successors, whenever that may come; we may just keep you here in perpetuity—

[Laughter.]

Senator LOTT.—that there is a process to monitor and watch very closely, because with this amount of money, the corporate world has a tendency to gold-plate it, perhaps, if not, you know, if you don't work with them very closely. So, I hope you'll put some protections in place to watch and monitor how this goes forward.

And one last question, CBO forecasts that if we adjust the current FAA funding levels for inflation, and keep the current General Fund contribution at 18 percent, then the uncommitted balance of the Trust Fund would grow to \$24 billion in 2017. That's a pretty significant amount of money, just by adjusting for inflation. And that \$24 billion would go a long way to help us with what we need. What's the problem with that?

Ms. BLAKEY. Well, I think that the problem, as I see it, on this—and I'd like to look at that more closely—but the—simply adjusting for inflation does not, in any way, take into account the kind of investments that we've got to make; and they are, as I've just indicated, very significant.

The fact of the matter, too, is that we know that we are in a situation, with the current system, where we are going to be up against the other requirements that you all have to consider, whether it is, you know, the entitlement programs, like Social Security, or whether it's the cost of homeland security. But in the discretionary budget, there are huge pressures, and that means that there is a tendency to not fund these kinds of capital investments, because they are fighting against everything else, on an annual basis.

Senator LOTT. But this is a Trust Fund for a specific purpose. Why shouldn't we use it for the purpose that it's intended—would be my argument. I've had that argument over highway trust funds and aviation trust funds in the past. It's just a point I think we should look into.

Ms. BLAKEY. I will—I'd be happy to talk with you all at great length about that.

Senator LOTT. Thank you.

Ms. BLAKEY. And I will look at that study, too.

Senator ROCKEFELLER. I have to say something that he will also raise, and that is, on the user fee matter, let it be stipulated that users from small rural states and airports pay far more than do users from big cities.

Senator Thune?

**STATEMENT OF HON. JOHN THUNE,  
U.S. SENATOR FROM SOUTH DAKOTA**

Senator THUNE. Thank you for making that point, Mr. Chairman.

I also think that Essential Air Service, which, as you would expect, I would be interested in, Madam Administrator, it's essential to have a direct flight from Sioux Falls to Washington, D.C., but that's probably not going to be part of the proposal.

[Laughter.]

Senator THUNE. I would like to ask a couple of questions, and one having to do with Essential Air Service. But, before I get to that, I know that the NextGen system is probably the answer to the questions I'm going to ask. But, since that's a few years out there, what can be done, in the interim, to deal with some of these hiccups that happen? And they're more than that if you're sitting on the ground. Yesterday's story, of course, was the JetBlue flight that spent 8 hours on the ground, and they couldn't get to their destination, but they couldn't get back to the gate. That's happened, it seems like, more routinely, of late. And also, the delays in flights are now at record levels, at least going back to the year 2000. And I know there's a lot of congestion in the airspace, and it's a challenge, and that's why we need the new system. But that's a few years out there, as I understand it.

So, what steps can be taken? I mean, you're getting an air traveler who is becoming increasingly frustrated with the system as it works today, and particularly given the types of incidents like what occurred yesterday, where you've got people who, for 8 hours, are sitting on an airplane. Maybe you've already covered that ground, but, if you haven't, I'd like to have you respond to that.

Ms. BLAKEY. No, and I have a couple of thoughts on this—one very immediate and practical, and the other one does involve more use of technology. But I will say this, that the FAA is trying very hard to use the system we have to allow the flow of traffic, even despite major weather problems, which was at the heart of that. The NextGen system goes to much better weather forecasting and a better ability to deal with the weather. But right now, with what we have, what we are looking at is trying to not affect any airport that does not have to be held from a ground-delay standpoint. And a lot of it is simply just affecting flights. It used to be we would

put ground stops in, full stop for the whole airport, and, no matter what, everyone sat there. We are now managing the flow of traffic in a way that is much more precise and specific to given flights, and, otherwise, trying to give other people options, in terms of going around storm fronts or being able to use a traffic pattern that will get them where they want to go.

The very practical thing I would say, though, is that we also have, at our Command Center, a new service that we put in place, about 6 months ago, where flights that are having massive delays can call in, can explain the circumstance. And sometime it's not a question of a weather delay, sometime it's an emergency that forced them down to divert—forced them into an unusual situation, and they're out of the traffic pattern, and sometime they're way back at the end of the queue. We can help those flights, on an individual basis, by giving them priority if we know that they are occurring. And we are encouraging the airlines to call in and to say, "We've got a particular circumstance that's a real problem for us. Can we get to the front of the line? Because these passengers have been terribly disadvantaged for reasons that may be very legitimate, but, nonetheless, they've been waiting too long." So, we're trying to also deal with specific problems like that, and we will do everything we can to give priority to them.

Senator THUNE. Is the technology available to do that today? Is this just a function of consciously making a decision that this is what we need to do? And I know you can't control the weather, and you don't want to do anything to compromise the safety—but I also think there are times when pilots would like to be able to have more flexibility to deal with some of these contingencies that come up, and it just seems like the system isn't built to accommodate the type of inconvenience that was created yesterday, with this JetBlue flight. And I say that only because it's the most recent incident. But there are others that have occurred in the recent past, as well, that there's got to be steps that can be taken by the FAA that would address some of these things. Some of the suggestions that you've described ought to be implemented.

Ms. BLAKEY. Well, we're working—

Senator ROCKEFELLER. Senator Thune, you and I—

Ms. BLAKEY.—they are available now.

Senator ROCKEFELLER.—are going to be lucky to get to the end of the line for this first vote.

Senator THUNE. What's that?

Senator ROCKEFELLER. We're going to be lucky if we get to the end of the line for this—

Senator THUNE. All right. We'd better get rolling.

Mr. Chairman, I've got one last question that I would like to submit for the record. It has to do with Essential Air Service and how this new NextGen system would affect—right now it's funded by overflight fees, and I'm interested in knowing how the new funding structure would impact the future viability of the Essential Air Service program.

So if you could submit that for the record, that would be great.

Ms. BLAKEY. Be happy to.

[The information referred to follows:]

**Information on the EAS Program**

The EAS program has remained fundamentally unchanged since its inception with the Airline Deregulation Act of 1978 while the aviation landscape has changed dramatically with the spread of the hub-and-spoke system, regional jets, and low-fare carriers. Without fundamental change, subsidy costs will continue to rise.

Under the proposed reauthorization legislation, the Essential Air Service (EAS) program would be funded by a mandatory appropriation of \$50 million per year from the Aviation Trust Fund. The funding reauthorization proposal contains a small aviation fuel tax that would be used to generate approximately \$50 million each year for the component of the Trust Fund for this purpose. As \$50 million would not be sufficient to support all currently subsidized services, communities would be ranked on the basis of isolation (*i.e.*, driving distance to a medium- or large-hub airport) and the most isolated would receive subsidized air service to the extent allowed by the funds.

Senator THUNE. Thank you, Mr. Chairman.

Senator ROCKEFELLER. Absolutely.

Senator THUNE. Thank you, Madam Administrator.

Ms. BLAKEY. Thank you.

Senator ROCKEFELLER. Thank you very much.

Ms. BLAKEY. You're welcome.

Senator ROCKEFELLER. Hearing adjourned.

[Whereupon, at 10:45 a.m., the hearing was adjourned.]



## A P P E N D I X

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

The Senate Commerce Committee faces a rare opportunity this Congress to significantly shape the future of the national air transportation system as we address the expiration of the current FAA authorization and expiration of the taxes that have supported the Airport and Airways Trust Fund for the past decade. The beginning of the 21st century has marked an era where aviation is increasingly important to the globalization of the economy, and all indications point to continued and substantial growth in the aviation industry. The United States has been the world's leader in aviation and we cannot afford to lose that position. The policy decisions we make this year, both in the area of modernization and in funding that modernization, will impact not only all aspects of the national air transportation system, nationally and globally, for decades to come but also our standing as a leader at the forefront of the aviation industry.

While the FAA unveiled its reauthorization proposal yesterday, the agency had indicated over the past 2 years its intent to completely alter the system by which we finance aviation programs in the United States. The plan is ambitious; unfortunately, the time provided to review it is short. Consequently, the FAA has to make a strong case for changing the financing structure. Specifically, the Committee needs to know how this plan affects consumers, our local communities and various aviation stakeholder groups. We must determine that the plan we have received is equitable to all parties involved.

The entire country, rural and urban, will feel the impact of the FAA reauthorization that we enact. The Vice Chairman and I represent regions that exemplify the unique circumstances that must be addressed as we move forward with a reauthorization. In Hawaii, we depend on aviation to connect us as a state, as well as to the rest of the country and the world. Any aviation proposal that moves through Congress must deliver the promise of improving access and providing affordable, secure and quality air service to all Americans, regardless of geographic location.

The actions we take this year will affect the public for decades to come. We must ensure that the national air transportation system continues to serve the public well, and at the same time, we must move forward with modernization at a faster pace so as to not inhibit the social and economic growth that is taking place. The number of airline passengers is expected to increase 50 percent in the next decade. The additional passengers, airplanes in flight and needed security could cripple a system that is already near full capacity. Without considerable progress on this endeavor, our system will grind to a halt over the next decade. Modernization is critical to the future of our national air transportation system, and it must be given the highest priority by the FAA to ensure that deadlines are met and the process is begun on time and in earnest.

The Senate Commerce Committee will hold a number of hearings on the reauthorization of the FAA over the next few months. Today is the first step in that effort. We must proceed in a dedicated, cooperative manner that ensures we enact the best legislation for the system and our Nation.

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

*Question 1.* What is the status of the enterprise architecture, or the blueprint for FAA modernization?

Answer. The ATO has made great strides in the development and institutionalization of the National Airspace System (NAS) Enterprise Architecture (EA). This year the ATO approved a new architectural framework based on the well-accepted Department of Defense Architecture Framework. Further, the FAA has amended its acquisition management system to be consistent with GAO and OMB guidelines which call for investment decisions to be based on the agency's enterprise architec-

ture. Finally, it is expected that the first version of the NAS EA that complies with the new framework will be approved in June and will form the basis for the FY 2009 budget formulation activities.

*Question 2.* Capacity/Congestion Issues: What is the capacity of the current system? What is the projected capacity of the current system? What are the projected delays under the current system? To what extent would the NextGen system address this potential delay? What are the costs associated with delay?

Answer. It is difficult to describe the capacity of the entire National Airspace System (NAS) with a single number. While some components of the NAS may have an identifiable capacity, such as a specific runway in certain weather conditions, other components have capacities only in relation to delay or safety measures.

For example, one can usually add more flights into a congested part of the NAS. However, the cost of doing so would be an increase in delay in order to handle those flights safely. Therefore, “capacity” is typically measured as the maximum number of flights that can be handled without exceeding a certain level of delay.

In 2006, there were about 18 million Instrument Flight Rules (IFR) flights in the NAS, with average delay slightly below 18 minutes per flight. This is approximately the same level of flights and delays as existed in the year 2000.

Therefore, if we are prepared to accept 18 minutes of delay per flight but no more, the capacity of the NAS is about 18 million IFR flights per year. More flights can be flown, but without increases in capacity, delay will increase.

NextGen is being designed to be scalable to three times the number of IFR flights as were flown in 2005. The estimated future capacity will be stated as the number of flights which can be handled by the NextGen system without exceeding current levels of delay.

The ATO projects that if future demand were not constrained by capacity limits in 2025, average delays for the entire year would approach 30 minutes per flight. Average delays would exceed 60 minutes on more than a dozen days. These are average delays; delays for some flights would be many times longer. (These estimates are based on the assumption that the weather in 2025 is the same as 2004, and no further improvements are made to the system.)

However, delays of this magnitude would prove so disruptive to passengers and airline schedules that it is likely many of these new flights would never be scheduled. Available seats on flights would become a scarce resource, and ticket prices would increase, preventing many passengers from flying and imposing additional costs on those that do.

The goal of NextGen is to accommodate future demand. NextGen will prevent the excessive future delays and disruptions that would occur without transformation, allowing many more passengers to fly conveniently and affordably.

One way of stating the cost of delay is to express the lost value to consumers of those flights which may not fly because of capacity constraints—that is, flights which would exceed the capacity of the system by causing intolerable levels of delay. Initial JPDO estimates indicate that without NextGen, the costs of delay between now and 2025 will exceed \$100 billion dollars.

*Question 3.* Are there environmental benefits to modernization? What is the “continuous descent” or “green” approach? What are the benefits? Tradeoffs?

Answer. There are environmental benefits to modernization. About 90 percent of aviation environmental reductions have come from new technologies. The environmental provisions in our bill focus on new technologies and operational innovations enabled by new technologies to make NextGen quieter, cleaner, and more energy efficient.

Key environmental provisions include:

- A research consortium for the development, maturing, and certification of lower energy, emissions, and noise engine and airframe technology.
- An Airport Cooperative Research Program that includes specific funding for research and development for the airport environment.
- An environmental mitigation demonstration pilot program to demonstrate the noise, air quality, or water quality benefits of promising research concepts at airports.
- AIP support to bring noise abatement flight procedures online faster for airport noise compatibility programs.

Continuous descent approach (CDA) allows an airplane to fly a continuous descent path to land at an airport, rather than the traditional “step downs” or intermediate level flight operations. The airplane initiates descent from a high altitude in a near “idle” engine (low power) condition until reaching a stabilization point prior to touch down on the runway.

CDA has been called a “green” approach. Its environmental and performance (economic) benefits include:

- Noise reduction
- Fuel Burn
- Aircraft emissions reduction
- Flight time (from cruise) reduction

CDA demonstrations to date have not completely identified trade-off concerns. Further research is being pursued.

*Question 4.* What is the status of the Airport and Airway Trust Fund?

Answer. The Airport and Airway Trust Fund’s uncommitted balance at the end of Fiscal Year 2006 was \$1.8 billion—the lowest since 1997 (after excise taxes expired). This is equal to less than 2 months of the FAA’s budget—less of a safety net than any year since 1975.

The President’s Budget estimates that the uncommitted balance will be \$2.0 billion at the end of FY 2007 and \$3.1 billion at the end of FY 2008.

The Trust Fund is vulnerable because our revenue stream is irrational—it depends on factors that are unrelated to our costs. We have seen significant volatility in tax revenue from year-to-year over the last 15 years, which makes meaningful long-term planning impossible.

*Question 5.* Do you consider the projections of the Congressional Budget Office (CBO) in your long term forecasts?

Answer. Yes. Although our long-term forecasts are based on the OMB economic assumptions, we also consider the economic forecasts of CBO and commercial forecasting services.

*Question 6.* If the concern is that the system will not raise enough money to cover FAA’s budget, and particularly modernization costs, why not adjust the tax rates to ensure sufficient revenues are collected?

Answer. Simply adjusting the tax rates would not ensure that we have access to the funding we need when we need it. Currently, all FAA spending has to compete with all other discretionary budget priorities. The proposal provides greater certainty that the FAA will be able to spend the revenue it receives because offsetting collections remove user fee funding from competition with the rest of the discretionary budget. Simply raising the tax rates on the existing taxes also would not address the significant fairness issues that exist in today’s system.

*Question 7.* Has the reduction in the Trust Fund over the past 5 years been cyclical, or is it a structural problem?

Answer. The aviation industry has recovered from the downturn that began in 2001, and as a result, Trust Fund revenue has begun to increase from the lows of 2003. However, on an inflation-adjusted basis, revenue in 2006 was still about 10 percent below what the Trust Fund received in 2000. It also appears that the revenue forecast has permanently “shifted to the right.” In other words, revenue is continuing to run about 25–30 percent below what we (and others in the industry) had projected prior to the downturn and significant industry changes that have happened over the last 5 years.

*Question 8.* Approximately what percentage of FAA’s budget would be funded by the General Fund under your proposal?

Answer. 18.6 percent, which is based on the cost of specific public good functions.

*Question 9.* What have the trends in safety been over the past 10 years?

Answer. In the past 10 years (1997–2006), accident and fatal accident rates have improved in all four major segments of the civil aviation system, particularly over the past 5 years.

*Part 121 airline operations:* In the past 10 years, the fatal accident rates have decreased by more than 70 percent, while fatality rates have decreased by more than 80 percent.

A decade ago there was a sudden spike in major accidents (13 accidents in just 30 months from July 1994 through January 1997). However, in the past 5 years, with more than 40 million aircraft departures and a passenger demand that has exceeded its 9/11 base by 17 percent, there has only been one fatal accident involving passenger jet operations (the Lexington, Kentucky accident in August 2006 that resulted in the tragic outcome of 49 fatalities).

*Part 135 commuters:* There have been 2 fatal accidents in the past 5 years, with a total of just 4 fatalities in that period. At the same time, the number of fatal accidents and the accident rate in on-demand Part 135 operations continued their long-term improvement.

Through 1996, the industry averaged a fairly stable 25 to 30 fatal accidents per year. In the past 10 years, despite growth in the industry, the number of fatal accidents has decreased steadily, reaching just 11 in 2005 and 10 in 2006.

The fatal accident rate reached its all-time low in 2005, at just 0.34 per 100,000 flight hours. The 2006 rate, not yet published by the National Transportation Safety Board, will be even lower than the rate experienced in 2005.

*Non-scheduled 135 operators:* Many safety improvements have been achieved from initiatives in Alaska, particularly Capstone, which introduced and demonstrated the effectiveness of contemporary avionics in small aircraft, and weather cameras, which enable pilots and companies to obtain real-time views of conditions in remote locations that have high aircraft volumes.

*General Aviation (GA):* Safety improvements have benefited from the same initiatives in Alaska and the number of fatal accidents continues to decrease.

After a relatively steady average of about 425 fatal accidents from 1990 through 1995, the number has decreased steadily, falling to 299 for FY 2006.

*Question 10.* What modernization measures should Congress consider to improve safety?

Answer. The 2007–2011 FAA Flight Plan charts the path for the Next Generation Air Transportation System (NextGen). Congress should consider modernization measures that are described in the Joint Planning and Development Organization's (JPDO's) Concept of Operations for the Next Generation Air Transportation System (NGATS).

The goals for NextGen focus on significantly increasing the safety of air transportation operations. These benefits are achieved through a combination of new procedures and technology. *The NGATS Vision Briefing (2005)* identifies key capabilities needed to achieve these goals:

- Network-Enabled Information Access
- Performance-Based Services
- Broad-Area Precision Navigation
- Aircraft Trajectory-Based Operations
- Equivalent Visual Operations

Through the NextGen plan, we're developing a roadmap of new technologies and procedures such as Required Navigation Performance (RNP) and Automatic Dependent Surveillance-Broadcast (ADS-B) that will transform the National Airspace System (NAS) over the next two decades.

Using data to drive decisions is a key element in improving safety. We continue to promote national data-sharing and analysis programs, like Flight Operational Quality Assurance, and Aviation Safety Action Program. To maintain the high level of safety the public has come to expect we'll need to be able to use data to ferret out potential risks before they manifest themselves in accidents.

Modernization through continued delivery of automatic dependent surveillance to key sites will improve safety by providing text and graphical data through programs such as Automatic Dependent Surveillance-Broadcast, Traffic Information Service-Broadcast, and Flight Information Service Broadcast to the cockpit through flight information services. We will continue to increase situational awareness by improving the capabilities of small aircraft with integrated displays, data-link, and traffic information.

To help reduce runway incursions, continued deployment of the Airport Surface Detection Equipment-Model X (ASDE-X) warning system is planned. The installation of ASDE-X and retrofit of ASDE-X equipment capability into selected Airport Movement Area Safety System (AMASS) installations will improve safety. We plan to continue developing, testing, evaluating, and deploying runway status lights at AMASS and ASDE-X airports.

*Question 11.* There have been concerns raised over the level of controllers at FAA: Does the FAA have enough controllers? Have we acted quickly enough to address the pending retirement wave? Is FAA hiring enough controllers to meet your future needs? What have controller levels been over the past 10 years? Relative to workload? Relative to safety levels? How many controllers retired in 2006 and so far in 2007 compared to FAA's forecasts?

Answer. Yes, overall staffing is adequate. We do have some facilities where we are focusing our hiring efforts. The FAA developed the Controller Workforce Plan at the request of Congress and as a part of *Vision 100* to ensure that we have a plan to replace retiring controllers. The Plan was designed to make sure that we have enough controllers in the right place at the right time to control traffic. The expected increase in retirements has begun, and this plan addresses it specifically.

We knew it was coming; we planned for it; and we're getting it done. March 7 marked the third release of our plan.

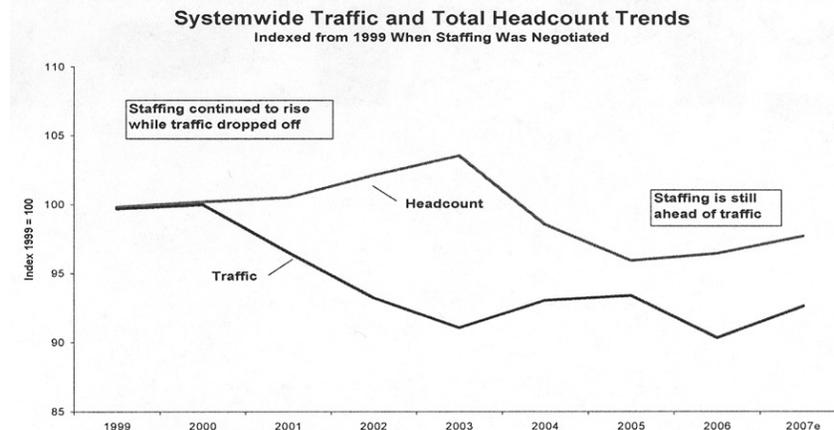
Yes, the Controller Workforce Plan outlines the FAA's Plan to hire and train more than 15,000 new air traffic controllers over the next 10 years.

The FAA has averaged approximately 15,000 air traffic controllers over the past 10 years.

Relative to workload—Air traffic controller workload and traffic volume are dynamic; so are staffing needs. The FAA's goal is to staff to traffic. This requires that we have the flexibility to match the number of controllers at various facilities with traffic volume and workload. Staffing levels negotiated with the National Air Traffic Controllers Association bargaining unit from 1999 to 2003 did not adequately reflect traffic demand, complexity, or the most efficient utilization of both human and fiscal resources. As a result of these negotiations, the FAA agreed to maintain a minimum staffing level of 15,000 full-time equivalents, or FTEs, for FY 1999 through FY 2001, and to increase the level by 2 percent per year in FY 2002 and FY 2003.

During this period, the agency committed to maintain the required minimum levels by hiring as many controllers as necessary to offset retirements and other attrition out of the controller workforce. The minimum levels would govern regardless of changes in the number of aircraft operations handled by FAA controllers, preventing the agency from adjusting staffing should requirements fall below the agreed upon minimums, and from incorporating productivity improvements from new technology or streamlined procedures.

Between 2000 and 2003, we experienced a 9 percent drop in air traffic volume, but saw a 4 percent increase in air traffic controller headcount, as shown in the table below. The contractual commitment to minimum staffing levels required us to increase staffing even as the number of FAA-handled operations plummeted. As a result, we were unable to address the dramatic fall off in traffic following the September 11, 2001, terrorist attacks. While the agency continued to hire, our customers in the aviation industry were laying off tens of thousands of employees and drastically scaling back operations.



At the end of FY 2006, we had 14,618 controllers onboard, with a goal of 14,807 by the end of FY 2007. These staffing levels are still ahead of traffic.

Relative to safety levels—In FY 2006, we achieved our performance safety metric on operational errors. This number was down to 4.11 errors per million activities. In FY 2007, the operational error rate is tracking even lower.

In FY 2006, there were 583 controller retirements, which were 116 more than anticipated. For FY 2007, we're planning for 700 retirements. Year to date actual retirements are 362.

*Question 12.* How long was it taking to train controllers prior to your 2004 report, how long is it taking now, and what is your training goal for later in this decade once you implement the concepts in the December 2004 Workforce Plan? What are you doing specifically to pick up the tempo in training new controllers?

*Answer.* Prior to our 2004 report, the average time that it took to train controllers to work in en route centers was 5 years and in terminal facilities, it was 3 years. Now, the average time to train en route controllers has been reduced to just under

3 years and for terminal controllers just over 2 years. Our goal was to reduce the time to full certification for air traffic controllers by 33 percent. The updated Controller Workforce Plan details the steps we've taken to "pick up the training tempo" and are briefly summarized below:

- Installing simulators and classroom facilities at the FAA Academy increased class size by 33 percent in both en route and terminal initial courses.
- Establishing a performance-based contract to provide on-the-job training instructors to high level en route and terminal facilities.
- Establishing a training "budget" for the expected number of days that each controller candidate should spend in each stage of his/her training.
- Establishing a national on-the-job training database to track each controller candidate throughout the training process and performing regular reviews of this database with each facility (*i.e.*, reviewing training "budget" days).
- Redesigning controller training to a competency-based learning and development framework to emphasize expected proficiency levels (*i.e.*, performance) in essential competencies at each stage of a controller's training/career.

*Question 13.* The Workforce Plan raised concerns about past practices that hired so many controllers so rapidly that it overstaffed the ability of field facilities to train people efficiently. Is that happening again already? How do you know that it is or is not overwhelming the ability of the dated training system to perform?

Answer. Due to better budget management we hire throughout the year *versus* waiting until July to see how much funding is left. FAA has placed an executive as senior coordinator of the overall air traffic controller hiring and training process to ensure that we do not repeat these types of problems. That coordinator meets weekly with all stakeholders involved (including en route and terminal representatives) to coordinate, synchronize, and implement all controller hiring and training actions in accordance with the Controller Workforce Plan. This level of attention has already yielded many benefits to include:

1. Centralizing the controller hiring process to ensure consistency and accuracy across en route and terminal functions.
2. Establishing monthly hiring targets that consider Academy and facility initial class schedules to meet overall annual controller on board targets.
3. Reducing the overall completion time for both security and medical clearances by reengineering outdated processes.

*Question 14.* The 2004 plan proposed the introduction of high fidelity simulators and new training curricula to shorten the time it takes to train a controller. Yet, the proposed Air Traffic Control Optimum Training Solution (ATCOTS) training strategy is months behind schedule in getting an RFP out on the street to implement new sophisticated training simulators and new training techniques. What seems to be the problem in getting ATCOTS launched? Is ATCOTS fully funded in your FY 2008 budget and accommodated in your reauthorization proposal? When will the RFP be released?

Answer. In order to ensure a viable future, the FAA is implementing many improvements in air traffic controller training. Some of those improvements are short-term and some are longer term. As addressed in the question, one such short-term improvement is the deployment of simulators to very specific air traffic control facilities. In the en route environment, the FAA has already begun the acquisition for four additional simulators. In the terminal environment, NASA—Ames recently completed an analysis of four simulators that were acquired under an interagency agreement with the Air Force. These four proof-of-concept simulators were the first ever to be deployed at civilian control towers. Based on the NASA study, the FAA is proceeding with a full and open competition that will be completed by the end of this fiscal year.

One of the longer-term improvements is the Air Traffic Control Optimum Training Solution (ATCOTS). ATCOTS is exploring performance-based methods of getting trained controllers more quickly to the facilities that need them. It is likely the contractor that wins the planned competition will have strong financial incentives as part of the contract to deliver highly trained controllers able to be quickly certified to the full performance level to FAA's facilities. Early pronouncements of when a draft Screening Information Request (SIR) would be available for industry comment did not fully consider the breadth and detail required to transform the FAA's training paradigm. Although a draft SIR has yet to be published, the FAA is making significant progress in defining the program and preparing the necessary documentation for release. ATCOTS does not yet have a baselined schedule, however, the cur-

rent working schedule anticipates a draft SIR released for industry comment before April 30, 2007.

The amount of funding to aid in the transition from the current training methodology to the ATCOTS solution is heavily dependent upon the results of the competition and the chosen solution. The FAA anticipates that any funding needed in FY 2008 will be minimal and can be accommodated within the FY 2008 budget proposal. Regarding accommodating ATCOTS in the reauthorization proposal, the FAA does not anticipate obtaining any solution that does not save money over the current baseline. Therefore, any costs for ATCOTS are well accommodated by the reauthorization proposal.

*Question 15.* Airport funding for the AIP program is proposed to be cut significantly. How is this likely to affect capital projects at the airports?

Answer. We are confident that, with the programmatic changes we are proposing for AIP and passenger facility charges, the proposed \$2.75 billion funding level will enable the FAA to reach all high priority safety capacity and security projects. In particular, there will be adequate funds to meet all current and anticipated Letter of Intent commitments, fund projects to meet the FAA's flight plan goal for improving runway safety areas and help airports meet their Part 1542 security requirements. We will also be able to continue work on critical rehabilitation and phased projects.

However, the AIP formula changes and passenger facility charge increase included in our reauthorization bill are critical to assuring that airports can strategically target that funding to meet high priority airport capacity, safety, security and environmental needs of the airport system. The AIP formula changes will also assure that AIP flows to the projects that further national goals and to the airports that depend most heavily on AIP to meet their capital financing needs.

*Question 16.* PFCs—The Administration proposes to increase PFC limits: How much additional funding is this likely to bring airports? Which airports are likely to benefit from this? If AIP is cut, but PFCs increased, are there guarantees to ensure the smaller amount of AIP funding is directed to smaller airports?

Answer. The Administration's proposed PFC increase is one part of a three-part reform for the Passenger Facility Charge program.

The bill would raise the maximum PFC from \$4.50 to \$6.00. This could provide a total of \$1.5 billion to airports nationally each year. Of this total, about \$1 billion would flow to large airports and \$500 million would flow to small airports.

The bill would expand eligibility to any capital improvement project at the airport or any other airport within the local airport system. This change is in response to requests from small airports for greater flexibility on the use of PFCs to enhance airport revenue generating potential and to help keep airline rates and charges low. Every dollar of the capital cost of a project that is financed with PFC under the proposed eligibility means a dollar more of revenue that flows to the airport's bottom line. Large airports that use PFCs to pay debt service will also benefit because the burden of separately tracking debt used to finance eligible and ineligible projects will also be eliminated. The financing community identified these tracking issues as a shortcoming of current PFC requirements.

The bill includes streamlining for the administrative review process. This streamlining preserves the obligations of airports to consult with carriers and the local community before beginning collection of PFCs on new projects and preserves the rights of any interested party to object to a project before the FAA. However, the current administrative process includes many bureaucratic paperwork requirements that were imposed when the program was new, and we were unsure about how airports would go about implementing PFC collections. The PFC has now matured and controversies over funding of specific projects are very rare. We believe that many of the paperwork requirements of the current program are no longer required to protect the public, and we are proposing to eliminate them.

This increase in PFC collections is balanced against discontinuing the passenger entitlements for the largest primary airports—the top 70 or so. Currently these airports turn back 50 percent or 75 percent of their calculated passenger entitlements if they are collecting a PFC. Our proposal includes a two-year phaseout of the passenger entitlements giving airports time to do the paperwork needed to implement the increased PFC. Every primary airport will benefit from this proposal, seeing increases from the PFC increase from a few percent to over 400 percent. The smaller increase is seen in the small primary airports. That is because these airports are retaining their passenger entitlements at current levels, while increasing their PFC revenue. So, their net increase in revenue is rather modest. However, for the largest primary airports, especially those not collecting a PFC, the increases are much more dramatic.

The Administration proposal relies on both the PFC increase and the AIP formula changes to redirect funding to small airports. As noted above, the PFC increase could generate as much as \$500 million for small airports. In addition, although large airports will have their passenger entitlements phased out, small airports will keep their full passenger entitlement they have received at current AIP funding levels. There will be no reduction when AIP is below \$3.2 billion, as would happen under current law.

Also, small airports will benefit from a dedicated small airport discretionary fund, as well as the proposed minimums in overall discretionary, which will ensure that all high priority safety, security, capacity and environmental projects at airports of all sizes will be funded.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. BYRON L. DORGAN TO  
HON. MARION C. BLAKEY

*Question 1.* I understand the FAA's goal to make payments more transparent and linked to the cost imposed on the FAA. But even if fees collected by the airlines are linked to the costs they impose on the system, what controls can there be to ensure that they pass on the costs in an equal fashion as well? What would stop them from charging consumers in non-competitive markets more because they are less able to pass on the costs in competitive markets?

Answer. The government does not regulate airfares, so the competitive market will determine how much of the fees are passed on to consumers, and that will likely vary market by market. However, it is important to note that overall, commercial carriers and their passengers would be paying significantly less into the system under our proposal than under the current financing structure.

*Question 2.* I understand the FAA is proposing a BRAC type process to realign and close some FAA facilities and services. In the past this has seemed like a process to consolidate in more urban areas, while removing facilities from more rural areas. While I understand some efficiencies can be necessary, I think some guidelines are needed, safety simply cannot be compromised. In the draft proposal, I see that you would create a five person commission that would be charged with selecting what facilities would close.

What criteria are there for the selection of who would be on the Commission? What criteria are there that should be followed by the Commission in making its recommendations? It seems to me that this proposal is quite vague and leaves enormous discretion with no assurances that safety and common sense will be a priority over cost savings?

Answer. The purpose of Section 409, which establishes a process for the realignment or consolidation of services and facilities, is to help reduce the FAA's capital, operating, maintenance and administrative costs with no adverse effect on safety.

The criteria for making the recommendations for realignment or consolidation of services or facilities are specifically required in the legislation to be made available for public comment before being finalized. The five-member commission would be appointed by the Secretary before the criteria are finalized, and thus they will have an opportunity for input. When the recommendations for realignment or consolidation are made by the Administrator, the commission will gather input from the public before making its report to the President—and transmit to the Congress their report at the same time they send it to the President.

The authorizing legislation specifically requires there to be no adverse impact on safety. The criteria to be used will be developed with public input, keeping the emphasis on safety. The commission's recommendations will be based on public input, again keeping the focus on safety.

Because of the significant opportunities for public input and Congressional oversight, we are confident the process will yield results that will help reduce our costs while maintaining the highest levels of safety.

*Question 3.* Currently in North Dakota there are 54 airports that are part of the National Plan of Integrated Airport Systems (NPIAS). Twenty of those airports have less than ten aircraft based there. It is my understanding that the new proposal would eliminate AIP funding to those airports. Can you please explain how the revised funding allocations would affect such smaller airports, and the justification behind it?

Answer. The Airport Improvement Program has long been a strong supporter of the smaller airports in the national aviation system. On average, about two-thirds of all AIP grants are given to the smaller airports in the system. The Administration's proposal continues that strong support for general aviation airports, the smallest airports, with three critical changes to the existing AIP formulas—an in-

crease in guaranteed state apportionment, creation of a dedicated small airport discretionary fund, and a higher Federal share for the smallest GA airports.

General aviation airports have enjoyed an individual entitlement since 2001, when AIP hit \$3.2 billion. FAA supports the non-primary entitlement program. Therefore, we have proposed to maintain it at any level of AIP. Under current law, if AIP were to fall below \$3.2 billion the non-primary airport entitlement would disappear. Our proposal eliminates this "trigger."

However, under current law, all general aviation airports in the NPIAS can qualify for same \$150,000 maximum entitlement. We thoroughly reviewed general aviation airport capital needs from both an engineering and planning perspective. Our review confirmed that not all GA airports are the same. Larger, busier, more complex GA airports have greater capital needs than low activity single runway GA airports. The uniform \$150,000 maximum non-primary entitlement means some airports are not getting all the money they need on an annual basis, and other airports are getting more than they need.

Therefore, we have proposed a tiered GA entitlement program that will be allocated, regardless of AIP level. For decades, our passenger entitlement formulas have recognized that all commercial service airports are not created equal, allocating entitlement funds based on the number of passengers who use that airport. This proposal applies the same concept to general aviation airports, with a formula that recognizes that they are not all equal.

Our tiered proposal will provide the largest, busiest non-primary airports with \$400,000 per year. For the smallest airports, the annual individual entitlement would be eliminated. However, these airports will continue to qualify for state apportionments and discretionary funds. In addition, for this one category of airports we are proposing to extend the 95 percent Federal share, which would otherwise revert to 90 percent at the end of FY 2007.

The smaller general aviation airports have capital development needs, however, this need is cyclical in nature, not annual. Moreover, when AIP is needed, the amount usually exceeds what could be funded with an annual apportionment need. These airports typically need a major runway and taxiway rehabilitation every 15 years or so, projects that can cost several million dollars. But in the years between, they may have no capital project need.

Moreover, modifications to the state apportionment and discretionary fund calculation may help airports gain access to these funds. Today, the state apportionment is calculated in a two-step process. First, 20 percent of AIP is allocated to non-primary airports. Then, individual non-primary entitlements are totaled and deducted from the 20 percent. The balance is allocated among the states. In FY 2007, non-primary entitlements increased by an average of \$25 million. This increase meant a corresponding decrease in the state apportionment even though AIP stayed level. Our proposal establishes the state apportionment as a separate calculation at 10 percent of AIP, with a minimum of \$300 million. Thus, our proposal would provide \$29 million more in state apportionment than was actually provided in FY 2007.

Since the larger GA airports will be able to rely on their higher entitlement for more projects, more of the additional state apportionment will be available for use at smaller airports. Also, small GA airports will have access to the small airport fund.

*Question 4.* It is my understanding that retirements by air traffic controllers are much higher this fiscal year than anticipated. In fact, I understand that more than 400 controllers have retired since the FAA imposed work rules last Labor Day. I have been informed that the FAA has predicted 643 controller retirements for this entire fiscal year. But, with seven and a half more months to go, more than 50 percent of projected retirements have already occurred. If the current pace of three retirements per day continues, our air traffic system will lose more than 1,000 veteran controllers in Fiscal Year 2007. That's 7 percent of the entire workforce.

It seems obvious that the workforce and pay rules the FAA has imposed on the air traffic controllers (the "FAA Imposed Rules") is causing some of our most experienced controllers to opt for retirement rather than continue to work under the new FAA Imposed Rules.

Have you done any analysis of the higher-than-anticipated retirements? Have you done any analysis of the impact of the FAA Imposed Rules on air traffic controller retirements and/or morale? If so, please provide the Committee with that analysis. If not, why not and do you anticipate doing so?

Answer. In the first 6 months of FY 2006, FAA's retirement projections tracked very close to actual retirements. However, in the second half of FY 2006, actual retirements *versus* projections began to diverge, for a total of 116 more retirements than expected by the end of the fiscal year. Even so, the FAA was able to proactively

increase its planned new hires during the last quarter of the year to compensate for the increased retirements. The latest version of the Controller Workforce Plan was released on March 7 and includes an updated retirement projection of 700 retirements for FY 2007. We do not incorporate a monthly retirement forecast in the workforce plan; however 362 controllers have retired this fiscal year through February. Historically, retirements through February have been approximately 50 percent of current totals. This year's total of 362 through February is in line with this trend. More controller retirements occur in January than in any other month—between 20–25 percent of the current total. This is consistent with other government employees, likely due in part to higher benefit payouts received from the Federal pay increase in the beginning of January. FY 2006 had a mid-year impact from the contract, so monthly comparisons to 2006 are not valid. If we compare 2007 retirements to the averages from 2002–2005, then we are on track for the year. Retirement trends have been consistent, with approximately 25 percent of those eligible to retire, retiring in the first year. This has not changed significantly since we began projecting retirements in FY 2004.

These increases in controller retirements have been expected for awhile and we have been planning for them. While some of this increase may be attributed to contract impasse, government separation documentation does not require air traffic controllers to provide a reason for their retirement.

*Question 5.* What plan, if any, do you have to replace the retired controllers? What plan, if any, do you have for replacing their many decades of experience and what do you plan to do to ensure that there are not mass retirements, leaving our air traffic control system with too few controllers? Do you have or have you discussed changes in the FAA Imposed Rules or returning to the bargaining table to address the air traffic controllers' concerns about the FAA Imposed Rules? If not, why not?

Answer. The report, "A Plan for the Future: 2007–2016, The Federal Aviation Administration's 10-year Strategy for the Air Traffic Control Workforce, March 2007" is the agency's comprehensive plan to replace retiring air traffic controllers. This plan emphasizes a centralized hiring process and improved training program, which includes increased simulation capabilities at our Oklahoma City training Academy and select field facilities. We are confident that the new controller hires will be able to meet the needs of the future. Furthermore, staffing is and will continue to be monitored at all facilities, and we will continue to take action at the facility level should adjustments become necessary due to changes in volume, anticipated retirements or other attrition. We demonstrated this flexibility by proactively increasing our hiring pipeline during the last quarter of FY 2006 in order to compensate for increased losses. We are on track in our goal to have 14,807 controllers onboard by the end of FY 2007.

Regarding returning to the bargaining table, as you are aware, the contract was implemented in September 2006. Consequently, bargaining has ended. Nonetheless, we have been in an ongoing discussion with NATCA in an attempt to reach a settlement of the unfair labor practice charges and grievances that the union has filed over implementation of the 2006 contract. To put the dispute into context, it should be noted that both management and the union had signed off on over 90 percent of the contract articles that were implemented last September. It was only after following the statutory procedure governing FAA bargaining impasses that the 2006 contract was implemented.

*Question 5a.* In addition, I understand that the FAA has stated that under the FAA Imposed Rules new air traffic controllers would make more than \$50,000 after 1 year and more than \$96,000 after 5 years. Do you still expect that to be the case? If not, why not?

Answer. Under the new pay scales, a controller hired in 2007 will make an average of almost \$50,000 a year in cash (including base salary, locality, and premiums) in their first year and an average of \$94,000 in their fifth year (this does not include benefits). In addition, the FAA pays new hires for the two to 3 years they are in training, as well as paying for all of their training costs.

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

*Question 1.* In 2003, you increased the authorized number of air traffic controllers at Newark Airport from 37 to 40. Just last year, you told this Committee that the authorized number of controllers at Newark is now 35. As of December 2006, your spokesman in the New York region told the media that 31 controllers were authorized at Newark. Why has the number of controllers been reduced and what is the

correct number for safe and efficient operations at Newark Liberty International Airport?

Answer. Historically, the FAA has had various methods of calculating staffing levels. The numerous staffing levels reported to you is a result of the FAA refining and then making adjustments to our staffing levels. The old negotiated numbers of 37–40 included developmentals. In FY 2007 the FAA completed its transition to a concept of facility staffing ranges. The current staffing range for Newark is 30–36 Certified Professional Controllers (CPC) and Certified Professional Controllers In-Training (CPC-IT), combined. We expect that we will hire six developmentals by the end of FY 2007 in addition to being in the 30–36 range for CPC/CPC-ITs. The range represents the number of certified controllers we need to staff that facility adequately. While most of the work is accomplished by CPC's, it is important to note that during the certification process, work is also being accomplished in facilities by CPC-ITs and developmentals who are proficient, or "checked-out" in specific sectors or positions, and can handle workload independently. These position-qualified controllers, along with CPC's, are the focus of our staffing to traffic efforts.

The process for establishing the 2007 controller staffing ranges involved the use of numerous data sources. In developing these ranges, the FAA considered actual traffic, forecasted traffic, past facility performance, the performance of other similar facilities, productivity improvements, industrial engineering standards and recommendations from the National Academies of Science, along with input from managers in the field, overtime trends, time on-position data, and expected retirements and other losses. Previous staffing numbers did not adequately reflect the fluidity of traffic demands, complexity, controller attrition, or the most efficient utilization of both human and fiscal resources. We developed these ranges to ensure that there are enough controllers to safely and efficiently manage the current and future traffic demands.

*Question 2.* Will you use scheduled overtime as a staffing tool this summer during the high travel season? Have you budgeted funds for Newark Liberty International Airport tower operations for such purpose?

Answer. During Newark's, or any facility's, peak traffic period, it is anticipated that "scheduled overtime" will be used to some degree. Facility managers are authorized to use overtime as needed to operate safely and efficiently. However, the FAA and its facility managers recognize there is a need to be fiscally responsible. It is expected that, if feasible, facility managers would, along with "scheduled overtime," consider schedule adjustments and/or redirecting resources to the operation, i.e., utilizing support staff or supervisors to temporarily work positions during periods of high traffic demands.

The amount of overtime used by a facility during periods of peak traffic also varies by type. Incidental overtime, is overtime used for an unplanned resource event such as a controller using sick leave. Scheduled overtime is planned in advance and used for anticipated resource issues such as peak travel periods, air shows, etc.

The use of staffing ranges is now helping the FAA to better predict the degree to which scheduled overtime will be necessary. A facility's "on board" staffing level fluctuates throughout the year as people retire, transfer, lose their medical qualifications, etc. Taking into account the fluidity of on-board staffing, if a facility's on-board staffing is in the upper end of their staffing range it can be anticipated that the scheduled overtime usage would be very low, with the opposite being true for a facility whose on-board staffing is in the low end of the range.

Our current attrition projections indicate that at the end of FY 2007, Newark will have 35 controllers on-board, which is on the high end of its 30–36 staffing range. So, we anticipate overtime usage will be relatively low at this facility, even during periods of peak traffic.

*Question 3.* Why is the FAA hiring another manager at Newark for a total of three upper-level managers?

Answer. Newark has been authorized three "upper-level managers" consisting of an Air Traffic Manager, Support Manager, and an Operations Manager for many years. Due to various budgetary concerns, the Support Manager position at Newark has been unfilled for the last 2 years. Newark is currently trying to fill this position.

To understand why this position is needed, it helps to understand Newark's operation within the context of the New York District. Newark is one of 13 facilities that make up this district. La Guardia tower's Air Traffic Manager, besides serving in that capacity, is also the district manager for the New York District. This district as a whole is authorized four Operations Managers and three Support Managers. Along with addressing operational and administrative issues at their own facilities, the Operations and Support Managers address operational and administrative

issues for those facilities within the New York District that do not have the same levels of support.

So, the added Support Manager will not only serve the operation at La Guardia, but will provide needed support for the district at large.

*Question 4.* Why did you cut the Controller Incentive Pay (CIP) program for controllers, but not managers? And how will this impact the ability of the FAA to get certified controllers to work at Newark? I understand that the historical failure rate of controllers with no air traffic experience at Newark is greater than 75 percent. Is this true? And if so, why not bring in experienced controllers from other locations? Is there a disincentive to transfer to Newark as a result of the discontinuance of the CIP program?

Answer. Design of a new pay system for frontline and facility managers is in process. While the work is still being done to design the new pay system for frontline and facility managers, the expectation is that Controller Incentive Pay (CIP) will be phased out when the new system is implemented (similar to the phasing out of CIP for bargaining unit controllers). Guiding principles for the new pay system include continuing the FAA's progress in moving all portions of the workforce into the agency's Core Compensation Plan, providing incentives for career progression into management, and finding cost savings.

In terms of the impact of phasing out CIP for controllers, a number of new incentive pay options are being employed now to attract controllers to higher level and hard-to-fill facilities.

The historical failure rate for controllers undergoing on-the-job facility training is 8 percent. This level of attrition does not necessitate other options that the FAA can use to supplement specific facilities with additional controllers, but all options remain on the table for our "focus facilities."

*Question 5.* Regarding the Airspace Redesign project in the New Jersey/New York/Philadelphia regions, an FAA official dismissed the noise problem as "at best, a side issue." Why has the FAA continued to ignore the air noise issues during the redesign efforts? Do you recommend that Congress address it?

Answer. Environmental factors, including noise, are a significant consideration in developing airspace and procedural changes. We consider noise, and we do our best to minimize the impact of noise. We have dedicated significant resources toward addressing the environmental and noise issues that arose as part of the New Jersey/New York/Philadelphia Metropolitan Area Airspace Redesign. Over half of the spending on this project in 2006 and 2007 has been spent on developing, analyzing, and reporting the noise mitigation strategies for the airspace. The results of this significant effort were released to the public on March 23, 2007. There are public meetings scheduled for late April/early May. We appreciate Congressional interest, but believe additional action is not required. The Federal Aviation Administration takes its role as an environmental steward seriously and has followed, and often exceeded, the environmental consideration required by law with this airspace project.

*Question 6.* The FAA's budget includes an "adjustment" in fuel taxes on general aviation users. Will these increases be equal for all types of general aviation, including corporate jets, air ambulances, and agricultural pilots?

Answer. Air ambulances will continue to be exempt from taxes, just as they are under the current tax structure. Under our proposal, the cost to provide service to air ambulances would be paid from the General Fund. The fuel tax for corporate jets would increase from 21.8 cents per gallon to 70 cents per gallon. The fuel tax for agricultural pilots (assuming they use piston airplanes) would increase from 19.3 cents per gallon to 70 cents per gallon. However, the total amounts paid by these types of users would be vastly different because corporate jets burn significantly more fuel than piston airplanes. This is why, under our proposal, jets and other turbine GA aircraft account for 10 percent of the user funding, while piston aircraft account for only 1 percent.

*Question 7.* Has the FAA performed or analyzed recent studies regarding the adequacy of the "Age 60" rule for pilots? Is the FAA considering revisiting this rule? What would be the safety impact of doing so, considering what you stated on the record in March of last year:

"The FAA has conducted five studies, using various analytic methodologies, on the relationship of pilot age to accidents. The most recent study, published in April of 2004, corroborates the findings of two previous empirical studies—specifically that accident rates appear to increase with pilot age. Recent non-FAA research, published in 2005 in open, peer-reviewed scientific literature, reported that the risk of violations of flight regulations increased with age in a longitudinal study of commuter air carrier and air taxi pilots. Violations of flight regu-

lations are important indicators because pilots with violations are more likely to be involved in accidents or incidents than pilots without violations.”

“The ‘Age 60’ rule has served well as a regulatory limit in the United States. The FAA recognizes that science does not absolutely dictate what age is most appropriate for retirement. No physiological and cognitive decline is associated with aging because it is variable in severity and onset among individuals. The consistency of findings across empirical studies, however, suggests that changes to the ‘Age 60’ rule should be approached cautiously; so, we presently have no plans to revise the rule.”

Answer. The FAA has reviewed the Age 60 rule several times over the course of many years to determine whether new and sufficient evidence exists to warrant amendment. In response to many challenges received over the years, the FAA has conducted studies, provided testimony and position papers, contracted independent studies, reviewed external studies, and invited public comment. Numerous age studies have been accomplished with results largely inconclusive. What is clear is that there is no absolute formula, no single right answer.

Conducting further study on the issue no longer appears productive. The probability of a catastrophic event is so small that a prospective risk analysis would take years, be extraordinarily expensive, and most likely still be inconclusive. Efforts are better focused on continuing to gather economic and safety data from industry partners, who continue to participate with us on the Age 60 Aviation Rulemaking Committee, and undertaking public rulemaking as announced on January 30.

Many technological and medical changes have occurred since an Age 60 limit was set in 1959. Current simulation technology, sophisticated aircrew training procedures and standards, and enhanced flight safety measures we have now were non-existent then. Life expectancy is longer and individuals are more active and health-conscious. The Aerospace Medical Association has testified that pilots should not be restricted from the cockpit based on age alone and is in favor of rule change. According to ASMA it is misleading to assume all risk resides in older pilots. The Civil Aviation Medical Association also has publicly recommended that the rule be changed.

Recently adopted international standard allows pilots certificated outside the United States and flying for a foreign air carrier on a non-U.S. registered aircraft to fly into the United States over the age of 60. The Age 60 rule, however, precludes U.S. pilots from exercising airline transport privileges domestically after turning 60 unless they chose to fly for a foreign air carrier that has adopted an over-age-60 standard.

During rulemaking deliberations, the FAA expects to be able to make the case that proposing rule change would not adversely affect safety. As with all rule-making, however, the agency will proceed cautiously in the interest of maintaining the current level of safety. Adopting a final rule will occur only after careful consideration of all public input received on the proposal.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARK PRYOR TO  
HON. MARION C. BLAKEY

*Question 1.* Last month you announced that the FAA intends to raise the mandatory retirement age for commercial airline pilots to 65. This rulemaking will bring our Nation’s pilots in line with the International Civil Aviation Organization’s new Age 65 rule. The FAA already convened an Aviation Rulemaking Committee that addressed implementation concerns. Does the FAA need another Aviation Rulemaking Committee to discuss this issue?

Answer. Although the Age 60 Aviation Rulemaking Committee (ARC) did not come to consensus on whether the FAA should adopt the International Civil Aviation Organization (ICAO) standard regarding an upper age limit, the ARC provided very useful information in its report and associated appendices. The FAA has recently contacted the ARC with a request for economic information. We do not anticipate establishing another ARC to discuss this issue.

*Question 2.* I understand that the Notice of Proposed Rulemaking process may take a long time to complete. In the meantime, many pilots will turn 60 and be subject to the Age 60 Rule. Does the FAA have any plans to expedite the Notice of Proposed Rulemaking process? Does the FAA have plans for considering issuing waivers or exemptions to those pilots turning 60 this year?

Answer. Except in limited circumstances, the Administrative Procedure Act requires that a Notice of Proposed Rulemaking be issued before any final regulatory change can be made. This allows the public, the industry, and individual pilots an

opportunity to comment. The rulemaking process is deliberative and purposeful, thus taking time. That said, we intend to expedite the rulemaking process to the extent possible. While rulemaking is ongoing it would be inappropriate to presuppose the outcome of the deliberative process by issuing exemptions to individual pilots.

*Question 3.* There are many airports in Arkansas that rely on Essential Air Service funding to keep ticket costs reasonable and service available for rural customers. Each year for the past several years, the President has requested \$50 million for EAS with a number of proposed requirements. This amount is half of the money necessary to maintain EAS current services. What have you laid out in this proposal for the future of rural airports that currently benefit directly from EAS and the Small Community Air Service Program?

*Answer.* The EAS program has had an important impact on ensuring rural America access to our Nation's air transportation system. The Administration believes that it is time to take a fresh look at the program to ensure that it is accomplishing its objectives as effectively and efficiently as possible. The laws governing our administration of the EAS program have not changed significantly since its inception almost 30 years ago, notwithstanding the dramatic changes that have taken place in the airline industry. The advent of low-cost carriers has resulted in passengers' being willing to drive farther distances to get lower fares. As a result, many EAS flights are nearly empty as passengers continue to drive to nearby, major airports. Nonetheless, there is a core of communities for which EAS truly is essential, such as those that have no roads at all. The Administration's proposed changes focus the resources on the most isolated communities, ensuring that they would continue to enjoy the same service levels that have been supporting them for nearly 30 years.

It is important to note the extensive support that the Department provides for small airports in terms of supporting the infrastructure that make any service possible. In the last 2 years (FY 2005 and FY 2006), the FAA has provided over \$4 billion in grants for small airports, or nearly  $\frac{2}{3}$  of the Airport Improvement Program (AIP). Furthermore, the Department's reauthorization proposal would continue to direct AIP to small airports. AIP will provide over \$8.5 billion to airports of all sizes through the term of the bill. The reauthorization proposal would also add new AIP eligibility for ADS-B ground stations and expanded eligibility for revenue producing projects at small airports that will help their financial stability.

*Question 4.* What are the generally accepted methods and principles for assigning costs of ATC services to users?

*Answer.* The International Civil Aviation Organization (ICAO) specifically calls on states to ensure that no users are burdened with air navigation services costs not properly allocable to them according to sound accounting principles. Where cost allocation needs to take place among users, the total costs should be allocated equitably among the different categories of users served by the route facilities and services concerned. Every air navigation service provider we studied uses accounting principles similar to FAA's for cost allocation. Most use economic principles such as ability/willingness to pay in cost recovery (as does the FAA's proposal by allowing aircraft weight to be a factor in the terminal fees). However, allocation and recovery are separate issues. NAV CANADA uses an accounting method known as "activity-based costing" to allocate costs among services, but does not allocate costs among users. (In Canada, all users pay user fees, except for low-end GA, which pays an annual fee that is not intended to cover its cost.)

*Question 5.* How do the views of carriers and the general aviation community compare and contrast with regard to the assignment of costs proposed in your plan for ATC services?

*Answer.* The air carriers generally support our assignment of costs, though feel that we should have assigned more costs to GA in cases where GA uses a TRACON, but lands at a secondary airport. High-end general aviation believes that we assigned them too much cost because the system was built for commercial airlines and we treated airline jets and corporate jets equally when they used the same facilities. (To the extent corporate jets do not use the large airports favored by airlines, they do not get burdened with the costs of those facilities.) Low-end general aviation agrees with our allocation that they are marginal users, although the allocation still likely assigns them a higher total cost than they would like.

*Question 6.* How do the FAA and airport industry estimates of planned airport capital development compare?

*Answer.* While it appears that the actual increase in airport capital needs is far greater than the 4 percent that FAA has been reporting, once the figures are normalized and the rules applied similarly, the difference is very small.

Differences between the ACI and NPIAS estimates for 80 airports totaled \$34 billion. FAA and ACI agreed to compare estimates for the 14 airports that accounted for \$29 billion, or 85 percent of the difference. When the ACI numbers are adjusted to be comparable to the NPAIS (2005–2009, AIP-eligible, unfunded development only) the total difference for the 14 airports was reduced from \$29 billion to \$201 million, *i.e.*, 99 percent of the difference was eliminated.

Industry estimates include funding that is already identified, but not yet paid-out (PFCs, local or state funds, bonds, cash earnings). However, once a funding source has already been identified, FAA does not consider that as an unfunded need and those costs are removed from the “needs” column. This accounts for \$10 billion of the difference.

The industry estimates include \$6 billion beyond the 5-year period covered in the NPIAS report. The industry estimates include \$8 billion in ineligible projects that cannot be funded with AIP. Finally, the industry groups include \$5 billion in a category called “other” which is not included in the FAA estimate since our estimates only include identified and specific items.

*Question 7.* How much are airports spending on capital development and where is the money coming from?

Answer. Historically, AIP has accounted for approximately 20 percent of capital investments at all airports as is reflected in GAO reports and testimony issued in 1998 and 1999. Other sources of funding include airport revenue bonds, rates and charges assessed against carriers, commercial revenue (*e.g.*, parking lots and concession revenue) aviation fuel taxes and (for commercial service airports) passenger facility charges. However, within the commercial service airport category, the percentage of AIP participation varies with the size of airports. Smaller airports are generally more dependent on AIP funding to meet capital development needs.

According to GAO testimony in 2007, from 2001 through 2005, airports received an average of about \$1.3 billion a year for planned capital development including eligible and ineligible work. The primary source of funding was bonds, which averages almost \$6.5 billion per year (or about 50 percent), followed by Federal grants and passenger facility charges, which account for \$3.6 billion (27 percent) and \$2.2 billion (17 percent) respectively.

*Question 8.* If projected funding is less than planned development for some airports, what options exist for increasing funding for airports?

Answer. Generally 5-year planned development for airports as shown in the National Plan of Integrated Airport Systems exceeds the funding available for airports in that same period. On an annual basis, AIP grants have typically funded less than half of the Nation’s planned airport development. The balance of the funds come from a combination of state or local investment, private financing, airport revenue and Passenger Facility Charges. The proposed increase in the Passenger Facility Charge will bring an additional \$1.5 billion to airports to use for capital development projects. The increase in PFCs flowing to the 70 or so largest airports will more than offset the proposed reduction in passenger entitlements for those airports.

However, FAA recognizes that airport financial need is stratified, with the largest of the primary airports in a stronger financial position with a greater ability to raise capital, fund projects with little or no direct Federal assistance, and work directly with the financial markets on their largest projects.

Smaller airports rely more heavily on Federal funds for their capital development. For this reason, we have proposed two provisions specifically targeted to smaller airports. For smaller primary airports, we have proposed keeping entitlements at current levels, keeping the minimum entitlement at \$1 million. We would eliminate the trigger that reduces the minimum entitlement level to \$650,000 and otherwise cuts an airport’s entitlements in half whenever AIP is below \$3.2 billion.

For the non-primary airports, we have proposed tiering the non-primary entitlements, which will direct more annual entitlement funding to the general aviation airports that have the greatest planned development needs. We have also proposed increasing the state apportionment and adding a minimum state apportionment level of \$300 million. (Currently, there is no minimum amount of state apportionment.) We also propose to increased the minimum discretionary that FAA can use for high priority projects and create a separate Small Airport Discretionary fund. This larger amount of discretionary money will make it easier for small airports to compete for their high priority projects. These two changes will make a big difference to small non-primary airports, since most grant funding is from a combination of state apportionment and discretionary dollars, not the non-primary entitlement.

*Question 9.* I understand that the FAA plans to hire nearly 12,000 new air traffic controllers by 2016. Currently, applicants are only accepted from the Controller Training Initiative (CTI) or the Veteran's Readjustment Appointment (VRA). What are the eligibility requirements for veterans?

Answer. In addition to applicants from CTI and VRA, we are also currently accepting applicants from the general public, former FAA controllers, and employees of other agencies. Veterans without experience in air traffic control can apply to the general public announcements. Veterans' preference applies when we hire from the general public. Additionally, we have recently entered into a job training agreement with the Department of Veterans Affairs (VA), Veterans Benefits Administration (VBA). The VA will recruit veterans enrolled in VBA's Vocational Rehabilitation and Employment (VR&E) Program. Under the VR&E Program, the VBA can pay for the veterans' training at the FAA Academy, and FAA will provide individuals who successfully complete Academy training with their own separate hiring mechanism within the FAA's controller hiring processes.

The FAA has adopted the same basic requirements for VRA that the rest of government uses. These are listed below. The FAA's VRA announcements are targeted to former military controllers, so the applicants must also have appropriate credentials as controllers from the military and meet the other eligibility requirements for the air traffic control occupation.

*VRA Eligibility Requirements:* The following veterans are eligible:

- Veterans who have a compensable service-connected disability rating of 10 percent or more;
- Veterans who served on active duty in the Armed Forces during a war or in a campaign or expedition for which a campaign badge or expeditionary medal was awarded;
- Veterans who served on active duty in the Armed Forces during a military operation for which an Armed Forces Service Medal was awarded on or after June 1, 1992; or
- Veterans who have separated from active service (for other than training purposes) within the last 3 years. In addition to the above criteria, all veterans must have been discharged under general or honorable conditions.

*Question 10.* The reason I ask is because I have been contacted by an Arkansas veteran experiencing difficulty with the air traffic controller hiring process. I believe our country's experienced veterans would be a great asset to the FAA. Does the FAA plan to re-evaluate the hiring process or extend eligibility to ensure qualified veterans are given adequate consideration and positions are filled based on merit and qualifications, not on eligibility technicalities?

Answer. The FAA has adopted the same basic requirements for VRA that the rest of government uses. These are listed in the response to *Question 9*. The FAA's VRA announcements are targeted to former military controllers, so the applicants must also have appropriate credentials as controllers from the military and meet the other eligibility requirements for the air traffic control occupation. As noted in response to *Question 9*, veterans without experience in air traffic control can apply to the general public announcements. Veterans' preference applies when we hire from the general public.

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RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER TO  
HON. MARION C. BLAKEY

*Question 1.* Noise impacts have begun to become such a big problem that the airport expansions are meeting with greater and greater opposition. How does the FAA plan to reduce the noise impacts on surrounding neighborhoods?

Answer. The Administration proposal has a four-part approach to reducing noise impacts on neighborhoods that surround airports. First, we have recommended extending a new program that supports noise-impacted communities with grants for planning and projects to reduce non-compatible land uses. This program started as a pilot program in *Vision 100*, but was scheduled to sunset September 30, 2008.

Next, we have expanded AIP eligibility to include environmental assessment of flight procedures that are determined to have impact on noise reduction under 14 CFR Part 150, Airport Noise Compatibility Planning. Operational procedures offer significant promise for near-term environmental improvements.

Third, we have taken a longer-term view by adding \$5 million in the Airport Cooperative Research Program for dedicated environmental research and standing-up

a new “Proof of Concept” program that will allow current environmental research, including noise reduction, to be field-tested on airports.

Finally, we propose to provide a more stable funding source for airport noise compatibility programs by converting the calculation of the set aside from a percentage of discretionary AIP funds to a percentage of total AIP funds. The set-aside will no longer be subject to reduction if the level of AIP apportionments or apportionment carry-over funds goes up.

This four-part program will help communities see immediate and long-term reduction of impacts from airport noise.

*Question 2.* What strategies can airports employ with regard to routing planes and keeping them at higher altitudes for longer?

Answer. There are several strategies that may be included in airspace designs to mitigate the impact of noise on communities near airports. Designers may be able to concentrate departure traffic over less noise sensitive areas, such as developing tracks that fly over water. Aircraft might be kept at higher altitudes by optimizing vertical profiles for arrivals and by raising altitudes for level flight segments. Modern navigation methods, such as Area Navigation (RNAV), might be used to adjust ground tracks over nonresidential areas. It is important to note that noise, especially close to an airport, cannot be eliminated by just moving routes. Rerouting aircraft may redistribute noise, potentially minimizing exposure to residential areas.

*Question 3.* What is the state of development of new, quieter aircraft? How might Congress further research into new, quieter technologies for the next stage of aircraft?

Answer. We are currently facing larger research and development challenges at a time when we need to make larger technological leaps to continue to reduce noise while the aviation system grows. NASA and industry have conceived some promising concepts under the Quiet Aircraft Technology (QAT) program. Examples include:

- quieter engine liners
- variable shape chevrons
- advanced features in flight management systems for quiet and efficient climb and landing procedures

The QAT program has come to a conclusion, and there is no follow-up NASA program to mature the research. Therefore, we need more advanced and applied research and development to move promising concepts from the lab to the aircraft. To bring technology improvements online for NextGen requires successful technology maturation and certification within the next 5–8 years.

Congress can give favorable consideration to our proposal in section 606 of our bill for a research consortium to bring new aircraft technologies to maturity, with performance objectives for noise (10 decibel reduction to limit significant noise impact inside the airport boundary)—as well as for emissions, energy efficiency, alternative fuels. Work would be funded through NextGen.

*Question 4.* What is the FAA doing to advance the use of quieter Stage 3 aircraft in the cargo industry where the lifespan of planes is much longer?

Answer. All large subsonic turbojet airplanes (over 75,000 lbs) that operate in the contiguous U.S. are Stage 3. There is no difference in Stage 3 requirements for airlines or cargo aircraft. The current requirement was mandated in the Airport Noise and Capacity Act of 1990, where Congress directed that domestic and foreign civil subsonic turbojet airplanes with maximum weight of more than 75,000 pounds meet Stage 3 standards to operate within the contiguous United States after December 31, 1999.

*Question 5.* How many air traffic controllers have left or retired since contract negotiations fell apart and work rule changes were imposed? What do you believe has been the impact of the rule changes on employee retention?

Answer. In FY 2007 year-to-date, 362 air traffic controllers have retired and another 41 retired in the last few weeks of September 2006 (FY 2006) after the contract was implemented. In the first 6 months of FY 2006, FAA’s retirement projections tracked very close to actual retirements. However, in the second half of FY 2006, actual retirements *versus* projections began to diverge, for a total of 116 more retirements than expected by the end of the fiscal year. Even so, the FAA was able to proactively increase its planned new hires during the last quarter of the year to compensate for the increased retirements.

In FY 2007, we projected 700 retirements. Historically, retirements through February have been approximately 50 percent of current totals. This year’s total (362 through February 2007) is in line with this trend. More controller retirements occur

in January than in any other month—between 20–25 percent of the current total. This is consistent with other government employees, likely due in part to higher benefit payouts received from the Federal pay increase in the beginning of January.

These increases in controller retirements have been expected for a while and we have been planning for them. While some of this increase may be attributed to contract impasse, government separation documentation does not require air traffic controllers to provide a reason for their retirement.

*Question 6.* Much of the needed modernization that is needed is in the air traffic control system. What has been the involvement of the controllers in the development of that new system?

*Answer.* The Operational Evolution Partnership office with the ATO has an air traffic controller on full time detail. The current plan is to keep at least one controller assigned to that office at all times.

