

"As Delivered"

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Thank you.

This morning I would like to speak with you about the state our industry. My focus isn't so much about staggering corporate losses and depressing job cutbacks, but about what we at the FAA can do to help.

You already know that the airlines and aircraft manufacturers are going through a period of unprecedented financial distress. Every day we see the consequences--not just for those of us who work directly in aviation, but for the millions of Americans who may be less directly affected by this crisis, but who are affected nonetheless. For aviation is a vital component of our national economy...as important as pharmaceuticals, agriculture, and banking. When aviation thrives, so does the entire country. When aviation hurts, the pain is felt, eventually, by everyone...everywhere.

There's been a recent upturn in the economy which gives us grounds for cautious optimism, and this optimism is reflected in the activity forecasts we're releasing today. We are predicting that over the next 12 years, domestic air carrier revenue passenger miles will increase at an annual rate of three point nine (3.9) percent. International activity will grow at an even stronger 6.6 per cent over the forecast period.

While we can feel some relief at this prospect, we also know that such modest growth alone will not ensure the financial stability of our troubled industry. We can...and we must...do whatever is required to help the aviation business through this period of hardship.

Chairman Oberstar, who will be with us this morning, said last week that we are at the threshold of a new administration, willing to act, willing to be an interventionist, if necessary, to give this industry the strength to survive. With his strong support and that of his colleagues in the Congress, I believe that it will not only survive, but prosper.

Last week, legislation was introduced to establish a National Commission to Ensure a Strong Competitive Airline Industry. Its purpose is to develop a better understanding of the reasons for the airlines' present financial crisis, define their causes, and recommend solutions. The legislation, which Secretary Pena helped develop, calls for a report to the President and the Congress within 90 days after the commission is launched. I won't try to anticipate what the findings of this commission may be. But I will tell you that we at the FAA have already begun to look at what we can do, in the short term, to aid economic recovery. Why should the FAA care about the economic health of the industry? Because the more profitable the industry is, the more likely it is to invest in quieter, cleaner aircraft and in new equipment to improve the margin of safety. A profitable industry means stronger production lines, jobs for American workers, and a strengthened competitive position abroad.

This morning I'd like to talk about three ways the FAA can help the industry. The first is timely implementation of the capital improvement program. The second is global harmonization of aircraft certification and operation. And the third is the continued screening of regulations to minimize costs.

The FAA, along with its partners in the aviation community, simply have to move much more quickly to catch up with the demands of the 1990's and to prepare for a new era of air transportation in the coming century. Even with the present slowdown, 23 of the country's largest airports experience more than 20 thousand hours of delay each year. Over the next 5 Years, we expect serious delays will affect 13 more of our airports.

We estimate that, overall, air traffic delays cost passengers 7 billion dollars (\$7 billion) each year and add 3 billion dollars (\$3 billion) to the cost of operating aircraft. If the current trends continue, these costs will go up another 50 percent within the next 10 years. You don't have to be an economist or a CPA to know what these delays are costing us in terms of lost profits and productivity.

One obvious response is to build new airports, new taxiways, new ramps, and new runways. But as you and I know, the most obvious isn't necessarily the most attainable. In some of our large urban areas, airports have simply run out of room. Worse still, people, in general, associate airports with noise, congestion, and pollution. And none of us wants one built in our neighborhood. Each year, it becomes increasingly more difficult to expand our existing airports. So we've got to make better use of what we have available to us today through the continued modernization of our air traffic control system.

The FAA's Capital Investment Plan is intended to do just that, and we've got to get on with it. This plan, along with our research and development program, introduces a wealth of new technologies that are either available now or could be deployed in the near future to cut the cost of flying for all users of the airspace.

We will need sustained, consistent funding, certainly. But equally important, it's imperative that we reform our procurement process so that we can gain the benefits of new technology faster than ever before.

I'd like it clearly understood that I disagree with those people who say our modernization programs are stalled. They're not stalled. Hundreds of systems are being shipped to the field every month: improved navigation and landing aids, state-of-the-art communication systems, better weather detection equipment, sophisticated new terminal and en route radars. And software packages to enhance capacity, increase routing efficiency, and reduce flight crew and controller workloads.

But progress on some key programs has been painfully slow. The most prominent example is the advanced automation system. The delays in this program are especially troubling because the AAS is the key that will open the door to so much of the new technology that will enable us make real gains in capacity and efficiency. We have an internal review of this program underway now, and I will make some specific recommendations in the next week or ten days.

We're all frustrated by the length of time it takes to implement a large, highly visible acquisition program like the AAS. It's a process prolonged by the federal procurement regulations, by funding limitations, by oversight from many quarters, and, I regret to say, by our own inflexible ways of doing business. Encumbered as we are by the weight of Federal procurement and contracting procedures, we have handicapped ourselves even further by the way we have chosen to acquire new technology.

We've shown a bias toward bigness in the past--a bias has led us to ask for systems that take ten, fifteen, or even twenty years to field. And this bias toward bigness is now depriving us of ready access to leading-edge technologies at time when we need them the most.

There are some who blame our acquisition problems on inconsistent leadership and inefficient organization. They argue in favor of a fixed term for the FAA Administrator, for an independent FAA, privatization of many of our functions, and a host of other structural changes. I don't know how any of these proposals will fare. It will be months...possibly years...before we know the outcome. We can't wait that long. We're looking at several reforms that can be implemented now. One calls for the FAA to fully embrace the concept of an open architecture for our systems and accept the idea of buying our technology off the shelf.

This innovation in acquisition strategy would have the effect of creating incentives for the private sector to think creatively about our problems rather than stifling this creativity, as we do now, by dictating in advance the solutions that we will accept. Instead, we should describe what we want to accomplish and let the

marketplace do the rest. Buying off-the-shelf will encourage us to think like the cost-conscious, hard-to-convince, skeptical consumers we are when we go shopping for a new car or VCR. It will curb our bureaucratic tendencies to plan everything from scratch, to plan it to an unattainable--and unnecessary--degree of perfection, and to plan it big.

We're also beginning to make greater use of a procurement strategy we call "fast-prototyping". This means that we will award cost-plus development contracts prior to entering into a fixed-price production contract. Ideally, we'll iron out the problems before we go to full-scale production. If we had used "fast-prototyping" with the AAS, I believe we would have avoided some of the snares which have since slowed our pace.

I don't know yet what the best solutions are. But I know that, with the acquisition process we have today, we're hard-pressed to hold on to the trailing edge of technology. With the right reforms, we can again be on the leading edge.

One such technology, with revolutionary implications for air traffic control, is satellite technology. Here in the United States, it's the Global Positioning System. GPS, combined with small, powerful computers, offers us virtually unlimited opportunities for improvements in safety, capacity, service flexibility, and operating efficiency. Only a year ago, the use of satellites in civilian air traffic control was little more than a academic concept. Today, the transition to that system is already underway.

It's hard for me to overstate the importance of the GPS transition. We know that the benefits will be enormous. Fewer delays and more fuel-efficient routes could mean annual savings of 100 million dollars or more for air carriers and business aviation. The economic stimulus which will come from the introduction of this new technology is equally impressive. We're told by industry analysts that sales of avionics-related products in the GPS market are expected to increase from 6 million dollars in 1990 to somewhere between 500 million and 740 million by 1996. Sales of all GPS products...auto, marine and aviation...are predicted to reach 4 billion dollars by the year 2000.

People tell me that this is not the time to ask the airline industry to make an investment in a satellite-based system. I know the costs will be substantial. But we have only to recall an earlier instance when we lacked the national will to protect our technological lead in aviation. In the early 1970's, we opted out of the race to build a supersonic transport.

There were sound reasons against the venture and they were, in the end, persuasive. We abandoned the field to the Europeans and they proceeded to build the Concorde. Most of the arguments against the project have held up well, in retrospect. The Concorde hasn't been anywhere near the commercial success its builders had

hoped. But the Concorde had one unanticipated benefit. The European partnership went on to produce the Airbus family of aircraft.

We can't afford, as a nation, to lose out in the competition for the vast worldwide market in satellite technology.

We can't afford, as an industry, to miss this chance to assert our technological leadership.

And we can't afford, as an agency, to miss this opportunity to better fulfill our public mandate.

We want to set the pace in demonstrating what President Clinton has been advocating: that government and industry can and must work as partners to promote our competitive position in world markets. The prospect of a closer partnership has already begun to inspire some imaginative thinking.

Just in the last few weeks, a bold new proposal has been advanced by The MITRE Corporation. It involves the establishment of a consortium between government and industry to develop the hardware and software for a new global digital data communications architecture. This aeronautical telecommunications network, or ATN, is a program that's been under development by the FAA for some time. Its purpose is to link the various air-to-ground and ground-to-ground communications systems...with each other and with the many computer systems used to relay messages and information at practically every level of flight operations and air traffic management.

Under this proposal, the development of ATN would be a collaborative effort, in the form of a Limited Liability Corporation, through which both the private sector and the FAA would contribute. We think it's an exciting idea. In theory, such a consortium arrangement could have two very positive benefits: it could speed up the development and acquisition process by as much as two years, and it could enhance our nation's competitive position by promoting the transfer of highly advanced technology between government and industry. The FAA wants to encourage all such creative proposals, and we'll offer a receptive ear to anyone with a good idea for partnership building.

We can talk the rhetoric of the 90's. We can talk of the need to modernize technology. We can talk of the accelerating demand for a truly global system. But we must also act. I'm proud that the FAA...indeed, the entire aviation industry in our country...has been at the forefront in recognizing both the promise and the perils of globalization...and in pursuing negotiations at the international level to achieve significant harmonization and standardization.

We at the FAA were quick to realize that no single country, not even our own, can any longer expect to be the sole arbiter of standards. We recognized, early on, that if we do not participate with others in the development of future standards...if we do not work to achieve world-wide harmonization of those standards...the result would be a growing gap between U.S. standards and those of Europe and the rest of the world. And with that gap would come a loss of influence and weakening of the competitive advantage we now enjoy.

This is the reason that, for a number of years now, the FAA has been working closely with the European Joint Aviation Authorities...the JAA...and a number of other nations around the world to establish common rules and procedures for aircraft certification. Differences in airworthiness standards from country to country cost U.S. aircraft manufacturers millions each year. And lack of uniform operating rules surely costs U.S. air carriers even more. The irony, of course, is that all these added costs, incurred in the name of aviation safety, often provide little, if any, apparent safety benefit. In a time of financial distress for air carriers and aircraft manufacturers around the world, there is every incentive to eliminate such costly confusion and inefficiency.

Such sensitivity to costs may not be what you'd normally expect from government regulators. But we've all had our cost consciousness raised by industry representatives who have actively participated with us in developing a coordinated approach to the problems of regulatory burden. I believe that, on the whole, the FAA has tried to work as a partner with industry. But at times, our role as a regulator can make this partnership an uneasy one. The FAA takes its rule-making and enforcement responsibilities seriously. We also know that unneeded regulations can create an unnecessary economic burden on an industry already struggling to survive. If we're not careful, our rules can put our carriers and aircraft manufacturers at a competitive disadvantage, without any gain in safety.

Can we do a better job of estimating the economic impact of our rules, as our critics have challenged us to do? Yes we can, and we will. Our regulatory activity must be responsive to the many stakeholders we serve. But we're also aware that government regulations almost always pit one interest against another. And in the end, of course, safety...in the public interest...will always take first priority.

In 1991, the FAA formed the Aviation Rulemaking Advisory Committee, or ARAC, as it is called in government acronymese. Its sixty-one members represent virtually every segment of American aviation. And from these diverse perspectives, ARAC has been effective both in proposing new rules and in suggesting revisions in old ones.

This committee symbolizes our commitment to work in close partnership with the aviation community. And ARAC is going to be around for a while...its charter was renewed by the Clinton Administration earlier this month. Industry participation

helps guarantee that our regulatory decisions are made on the best information available so that we can reduce...hopefully eliminate...unnecessary costs.

ATA President James Landry said recently that the reaction of government at all levels to the economic conditions in the industry has been lacking. "We (meaning the FAA) just don't get it," he said. That concern, I know, has been widespread in aviation circles. So I think something which Secretary Pena said last week bears repeating today. This is what he said:

"We as a nation have got to embrace a philosophy that says this is our American industry, we care deeply about it, and we should do whatever we need to do to make sure that it thrives, and make sure that it remains globally competitive".

We at the FAA need no clearer mandate than that.

Thank you.