TALKING POINTS
DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
TELEVISION INTERVIEW
AVIATION DAILY AND AAAE
MARCH 1, 1995

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SAFETY

- Safety is FAA's first priority -- it is the thread running through everything we do.

- Safety is also the dominant competitive issue in the airline business. No airline -- no aircraft manufacturer -- and no government can tolerate slipshod practices which endanger passengers.

- Over the decades, the government and the industry have pooled information and technology, and we have achieved a safety record that has constantly and steadily improved.

- Our collaboration over the years has produced a system that is among the safest and most efficient in the world.

- Yet despite our remarkable achievements, the seven fatal accidents last year bear solemn witness that our safety initiatives require renewed energy and creativity.

- We simply must accelerate the intellectual efforts associated with flying airplanes safely.

- Because safety is a shared responsibility, FAA and industry have renewed their commitment to work together to improve safety and maintain public confidence in the safety of the system.

- DOT and FAA recently sponsored a safety summit to discuss: crew training, new technologies, weather issues, aircraft maintenance and inspection, and flight operating procedures.

- Our goal was to bring people together from every part of the aviation community -- industry, government and labor -- and to work together on real issues. We wanted substance -- not a political maneuver, not a public relations ploy -- and we got what we wanted.

- The only acceptable goal is 100 percent safety -- zero accidents -- and the only way to achieve that goal is for government, industry, and labor to work together more effectively.

- But to reach the goal of 100 percent safety, we must do more than change some of the things we do. We must also change the way we think.

- The Aviation Safety Conference was an attempt to cross a mental threshold. We wanted to help the aviation community and the flying public begin to understand, and finally to believe, that accidents are not inevitable, that 100 percent safety is possible.

- Our goal was a permanent change of thinking that would lead to a permanent record of zero accidents.

- To achieve that end, we are currently working with industry representatives on priorities such as: one-level of safety; the implementation of the Advanced Qualification Program (AQP); and industry-wide standardization of the approaches used to develop and present safety data critical information.

- The aviation community is also reprioritizing programs, shifting resources, and focusing management attention on actions required to meet the zero accident challenge.

- In addition, recent FAA safety actions have included:

1. Creating a new top-level safety analysis office, headed by Chris Hart.

2. Moving to create "one level of safety" between large and commuter carriers -- NPRM will be completed by March 24.

3. Tightening regulations on Hawaiian air tour operators.

4. Conducting comprehensive safety inspections of all U.S. commercial carriers.

5. Prohibiting several foreign carriers from flying into and out of the U.S. after assessing their nation's civil aviation authorities.

6. Adding 300 employees to the certification and flight standards workforces, bringing the total to about 4,300.

FAA REORGANIZATION

- As you know, the Department of Transportation, FAA's governmental home for the last 29 years, is in the process of reinvention. Accelerating a streamlining effort begun two years ago, Secretary Peña recently announced a major departmental restructuring that will cut the bureaucracy in half, while maintaining federal infrastructure investment commitments near current levels.

- While the current plan is to consolidate DOT's ten current agencies into three, the final structure will be decided after consultations with Congress, users and the public.

- We all realize that this is an ambitious undertaking, but, in the end, I believe that the new DOT reorganization will foster a better environment to improve our delivery of essential services and respond more effectively and with greater accountability to our customers.

- I agree that it's time government operates like a smart business, and, in fact, the FAA is ahead of the power curve. We realize we have to do more with less, and have been at work since the beginning of the Clinton Administration to achieve that end. We are determined to be leaner than we have in the past, but still fulfill our obligations to the flying public.

- While our resources are shrinking, our responsibilities keep expanding. More people are traveling than ever before.

- The staff reductions, budgetary constraints, and an ever growing demand for our services led to the reorganization I announced last November 30.

- The new organization is formed along the six operating arms of the agency, all of which represent very distinct product and service lines.

- The changes streamline how we do business and clarify the lines of accountability. They position the FAA to function with even greater effectiveness and productivity in the years ahead -- to move with the times and adjust to the new realities.

- But, this reorganization cannot cure the institutional constraints the FAA confronts in archaic procurement, personnel, and budget regulations, which will continue to make it difficult to keep pace with technological developments and increased demands for aviation services.

- As you know, several members of Congress are expected to introduce legislation that address reforms for the FAA.

- One of the most far-reaching recommendations in the President's National Aviation Initiative, and recently reaffirmed by Secretary Peña in his announced plans to streamline the Department of Transportation, was the proposal to re-invent the FAA's air traffic control services as a government corporation.

- The President's aim is to create a new form of federal corporation which will be unhampered by cumbersome rules governing procurement, financing and personnel. This new organization would allow us to upgrade equipment much faster, to make more business-like investment decisions, and to hire people with the technical skills we need at any given moment.

- Creating a air traffic services corporation, however, is not a change we at the FAA can undertake on our own. The decision to create an air traffic control corporation ultimately lies with Congress and the President. We are very encouraged by the interest being expressed by the Congress on FAA reforms.

- I fully support legislation to restructure the Air Traffic Control System so that the FAA will have 38,000 fewer employees and will save $7 billion annually on our budget. And, we will do this without any challenge to safety.

AIP ISSUES

- Since we don't anticipate much, if any, growth in the federal funds for support of things such as airport development, we are looking for ideas about how to make the best use of what we have. FAA is aware of the real needs of the airports nationwide, and is trying its best to work within available funding to fund the highest priorities on a national basis.

- To creatively manage our projects with less funding, we need the help of the aviation and airport industries. We need industry to help develop even more creative ways to finance aviation improvements. We need to encourage projects that employ innovative technology, concepts, and approaches that will promote safety, capacity, and efficiency improvements.

- In addition, we are currently working in three areas to increase airport development funding -- strengthening PFCs as a local airport resource, increasing the impact of AIP funds, and assuring fully coordinated intermodal transportation development.

- We are currently conducting an analysis of innovative approaches to financing airport improvements in response to congressional direction in the Federal Aviation Administration Authorization Act of 1994, and in support of a Department of Transportation initiative on innovative financing.

- In fact, in support of that analysis, the FAA held an "industry roundtable" on February 1 and 2, for the purpose of capturing the ideas of experts involved with and affected by airport capital financing. The conference was intended to provide the FAA with information to complete its analysis of innovative financing.

- Specifically, the conference addressed the pros and cons of a variety of new financing concepts, discussed options for implementing the concepts, determined what type of airports and projects would benefit from the concepts, and the resolution of any outstanding issues. Conference participants addressed the implications of those concepts on the structure of the federal airport grants program and assurances to protect federal and other investments in airports.

- FAA also knows it must find a way to make the AIP and Aviation Trust fund dollars go farther.

- As you know, AIP funding has been on decline over the last few years as Congress has established a funding level of $1.69 billion in FY 1994 and $1.45 billion in FY 1995. The highest AIP funding was in 1992 with $1.9 billion.

- Current budgetary agreement, which limits the amount of domestic spending for the Federal Government, will certainly have an affect in the coming years.

- We have and we will continue to push for the highest attainable level for AIP within these budgetary constraints.

- We are currently investigating ways to leverage existing levels of AIP expenditures, to make those dollars go further than the pay-as-you-go grants we've always issued.

- For example, we are exploring the use of AIP fund debt service reserves, which are typically funded out of bond proceeds. This would reduce the total amount an airport would need to borrow.

- The FAA is also looking for information from other government agencies that operate revolving loan funds, for financing transportation infrastructure. A loan fund would be a productive use for AIP or trust fund monies.

- Also, FAA, in concert with the Department, is looking at several approaches to making the aviation trust fund work harder and go farther for the benefit of the nations airports. These include loan guarantees, loan insurance, a revolving loan fund seeded with money from the Airport Trust Fund, and steps which would make it easier for airports to secure loans from private lenders by pledging land or the revenue from passenger facility charges. Our goal is to leverage existing resources to provide assistance to airports where lack of capacity affects the entire national airspace system.

CHANGES IN THE REAUTHORIZATION LEGISLATION

- I know that there are a number of AIP issues beyond funding levels, including changes in the reauthorization legislation affecting how AIP monies are distributed.

- There were numerous changes to the AIP this past summer.

- One such change allows funding of terminal development at reliever airports, as well as allows discretionary funding for terminal development at nonhub, primary airports.

- In addition, AIP funding percentages were simplified by reducing the number of percentages for the Federal share that FAA and airports have to deal with. Now, with the exception of the Federal share for noise projects at large and medium airports at 80%, all other work is either at 75% for large and medium hub airports, and 90% for all other airports.

- We also proposed, and Congress agreed, that the States be able to sponsor individual projects at one or more airports. This allows smaller airports to use the resources of their States, if both parties agree, to apply for and administer the projects.

- As you are probably aware, there was a complicated feature added to the AIP, as far as funding distribution was concerned. Congress passed this feature to assure that $325 million was available for necessary capacity, safety, security and noise projects, as well as funds for existing and anticipated Letters of Intent.

- In essence, the statute now provides that if there is not $325 million in the remaining discretionary fund, then all set-asides and entitlements are to be reduced by equal percentages to make the remaining discretionary equal $325 million.

- This, plus the cap on entitlements due to $1.45 billion funding level, has meant a 24.5% decrease in entitlements for primary airports and cargo service airports. All other set-asides were reduced by about 13%. The other set-asides are not subject to the cap that entitlements have.

NOTE: We did ask for, and Congress agreed, to reduce the set-asides for nonprimary commercial service airports and relievers, which will not set well with the audience. However, if asked about it, we did this because funding for these airports can be provided out of other set-asides, due to funds established as a result of the passenger facility charge program, as well as our analysis that many projects that have been or will be funded at the previous set-aside level are lower priority work.

PFC ISSUES

- Another way we are trying to fund airport improvement and capacity projects is by authorizing airports to collect passenger facility charges. The Aviation Safety and Capacity Expansion Act of 1990 authorized the establishment of the passenger facility charges by local authorities. The proceeds from PFCs are a major source of local funding to finance eligible airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise, or furnish opportunities for enhanced competition between or among air carriers.

- In fact, PFCs currently provide almost $800 million per year to local airports, and the money is being used to fund projects at over 200 airports. When the program fully matures, we expect the figure to grow to $1 billion. However, this resource is not adequately integrated into the process of securing current debt primarily for airport development.

- We realize that this money must be used as efficiently as possible. Airports can only arrange unrated PFC-secured debt to fund new expansion projects. And, FAA is working to establish the creation of investment grade PFC-secured debt. To make this feasible, we need the trust of the financial community.

- For the past year, the FAA has also been working with Wall Street to alleviate fears concerning FAA's authority to terminate an airport's authority to collect PFCs. And, we are optimistic that we have devised a framework which will ease the banking communities' fears that FAA will abruptly terminate an airport's PFC authority.

- In the meantime, FAA will continue to work with the financial community to leverage PFC revenue.

- In addition, with the Department, the FAA is also looking at the possibility of expanding the use of state block grants. Such a program has proven successful for improving small airports, and we believe the potential is there for also using grants to improve the large airports.

- All of these concepts and plans are consistent with the Secretary's streamlining proposal. That proposal foresees the creation of three transportation infrastructure funding categories under which federal funds would be directly allocated to states and localities. Currently there are more than 30 grant, loan, and subsidy programs, each of which has separate eligibility requirements and procedures.

- The FAA, the Department, and the other modes, are working to improve the way federal money is distributed. We are focusing on ways to improve the decision-making process, the way we structure grant allocations, and how we expect states and localities to apply for infrastructure grants and aid. In an era of restrained resources it is our duty to the American public, to allocate monies wisely and efficiently to get the greatest benefits.

REVENUE DIVERSION

- FAA is committed to ensuring that airport revenue is used in accordance with the requirements of the Federal Aviation Administration Authorization Act of 1994. This law requires that all airport revenue be used for the capital and operating expense of the airport with certain limited exceptions. We are in the final coordination phase of developing policy and procedures on the use of airport revenue. Once the coordination has been completed, it is anticipated that the policy will be published in the Federal Register.

FAA SUPPORT FOR NEW AIRPORTS

- There are a number of cities currently considering the construction of new airports. FAA is supporting those local decisions through planning grants to study things such as traffic demands and environmental feasibility.

- For example, cities such as Minneapolis, Chicago, Phoenix, San Diego, and Boston are currently undertaking such studies with FAA support.

- In the event a city determines that it will proceed with airport construction, FAA is willing to provide aid. However, FAA only provides 10-20 percent of the cost -- the city must raise or fund the remainder.

LOIs and SMALL AIRPORT FUNDING

- Funding for smaller airports is not being reduced because of LOI payments at larger airports. (By the way, we have LOIs at small hub and reliever airports, also.)

- The legislation for the Airport Improvement Program (AIP) designated enough discretionary funds to cover LOIs, but the same proportion of these funds which has always been available to smaller airports remained the same.

- The smaller airports are receiving less funding mainly because the total funds for AIP have been reduced. Consequently, all categories of airports have received less funding.

STATUS OF WAAS

- DOT and DOD are currently finalizing an agreement on the development of WAAS. That agreement will be finalized soon and we will release the details at that time.

DRAFT STATEMENT

Not to be Released. *Official Statement will be Joint DOD/DOT or White House Release*

The Departments of Defense and Transportation have reached an agreement on the development of the civil radio navigation Wide Area Augmentation System (WAAS) that will allow the Federal Aviation Administration to proceed with its procurement of all three components of the WAAS system--accuracy, integrity, and availability.

WAAS is essential to make the satellite-based Global Positioning System (GPS) fully usable for all phases of civil flight in the national airspace system. Without augmentation, GPS does not provide the necessary navigational integrity and availability for en route, terminal, non-precision, and Category I precision approaches, nor the accuracy for Category I approaches.

Although details of the accord are being worked out, DOD and DOT officials also reached agreement on the following points.

- The accuracy component will be broadcast on the L1 frequency with certain conditions. However, there will be no encryption or frequency shifts.
- DOD and DOT will conduct investigations into certain interference issues to assure that accuracy broadcasts will be compatible with all critical military uses of GPS. The accuracy component will not be activated until these technical issues are resolved.
- DOD and DOT will make every attempt to resolve these technical issues within a year, well before the initial scheduled WAAS activation in late 1997.

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291

TESTIMONY OF

DAVID HINSON, ADMINISTRATOR

FEDERAL AVIATION ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION

AND RELATED AGENCIES APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

MARCH 14, 1995

Good morning, Chairman Wolf and members of the Subcommittee. I am very pleased to appear before you today to discuss the FAA's budget request for fiscal year 1996. I congratulate you, Mr. Wolf, on your appointment as Chairman of this Subcommittee. We look forward to working with you and the Subcommittee.

Today, I'm happy to say that we have good news to report. For the first time in quite awhile, most of the economic signs are positive. Last year, 555 million passengers boarded flights on US carriers -- an increase of more than 8 percent and the strongest gain in eight years. Revenue passenger miles grew 5.5 percent -- a dramatic increase over the sluggish 1.5 percent average growth of the last four years. And for the industry as a whole, the long string of annual losses finally was broken. Last year, many carriers started showing profits again. As the *Wall Street Journal* recently reported, airlines' performance during the fourth quarter of 1994 produced the biggest surprise among all market sectors -- exceeding analysts' earnings expectations by more than 50 percent. These are clear indications of a turnaround for the airline industry. But while we are optimistic, our optimism is tempered with caution. For despite a reassuring growth trend, despite the cost-cutting, and downsizing, we know that for carriers of all sizes the recovery is still very fragile. The airline industry is still struggling to regain its financial footing. I strongly believe that only a strong and ongoing partnership between the private and public sectors can produce the steady stream of high-quality solutions that these challenging times demand.

Before I turn to the budget and your questions, I would like to describe for the Subcommittee a number of important initiatives that we have underway that, I believe, are a valuable framework within which to better judge the budgetary needs of the agency.

The initiatives that I will focus on include:

→ our number one priority -- safety;

→ our recent accomplishments in reinventing government -- how we have downsized the FAA workforce and restructured the organization to become more efficient;

→ actions we are taking to work more closely with our customers to find procedural and non-capital intensive measures to improve system safety and capacity; and

→ our efforts in international leadership in technology, procedures and information sharing.

SAFETY -- Despite several tragic accidents during the last several months, it is important to keep in mind that last year was the safest year on record for commuter airlines, and Part 121 carriers had their second lowest accident rate on record. General aviation also had the fewest number of accidents since World War II. But, I believe we can do better. In January, Secretary Peña convened a two-day "Safety Summit" here in Washington - with more than 1,100 participants from senior management of airlines, manufacturers, pilot organizations, and many others. Our purpose was to examine the safety priorities not just of the FAA, but of the entire aviation community, and develop joint strategies for a virtually fail-proof system of flight safety. We came together to take decisive action and we did. During

an intensive 30-day period following the conference, government, industry and labor worked together to develop 173 safety action initiatives. Almost two-thirds of the initiatives -- 104 out of 173 -- will be completed within the next six months.

Last year we also commissioned many pieces of new equipment which increase safety margins as well as increase capacity during inclement weather. These include new Terminal Doppler Weather Radars (TDWR) at Houston and Memphis and new Airport Surface Detection Equipment (ASDE) at Seattle, Portland, Detroit, and Cleveland. Additional commissionings are currently underway. When these two programs are completed in early 1997, we will have installed TDWR at 45 airports and ASDE at 35 airports.

REINVENTING GOVERNMENT -- In the private sector, our best run corporations are often organized around lines of business with clear accountability for decisions and actions. After months of visiting FAA organizations and field facilities, and after internal reviews, I concluded that the FAA needed to be reorganized to help us better manage our major missions. Last December, I implemented a restructuring of the FAA which concentrates our work into six major lines of business -- air traffic services; research and acquisitions; safety regulation; civil aviation security; airport development; and administration.

The restructuring of the FAA goes well beyond the lines of business concept. We are also making great strides in flattening the organization by reducing unneeded layers of management. The Airways Facilities

organization was selected by the Office of Management and Budget (OMB) as a pilot project under the Government Performance and Results Act and is now consolidating field management from 77 offices into 33 locations. In air traffic control, we contracted out 25 small control towers last year and plan to do 25 more each year until we have converted almost 100 towers to contract operations at an annual savings of over $20 million. This is allowing us to reduce the size of our in-house controller workforce.

These downsizing efforts will continue. By the end of this fiscal year we will have reduced FAA full time employment by more than 4,240 people since the beginning of fiscal 1993. With a net reduction of 547 more people in fiscal 1996, we will have achieved a cumulative net staffing reduction of 4,787 full-time employees over the course of four fiscal years while providing for growth of almost 600 people in our inspector/certification workforce in fiscal years 1995 and 1996. The FAA represents the largest portion of DOT's civilian workforce and we are at the forefront of the Department's streamlining efforts.

We have implemented new automated systems in personnel, payroll and travel management which eliminate huge numbers of paper reports, provide quicker response to our internal customers which allows us to downsize support personnel. We are putting certain regulations, planning documents, and procurement information on the Internet to make the FAA more accessible to the public.

We have also organized our acquisition and research staff into "integrated product teams" which emulate the management practices used by

industry to develop products like the Ford Taurus and Boeing 777. In the acquisition area, last summer I announced the cancellation of two major elements of the Advanced Automation System and a restructuring of the remaining portions of the program and continue to have MIT Lincoln Labs and the Carnegie Mellon Software Engineering Institute review the program and provide us with a critique and recommendations. This restructuring, along with new cost management, has had a favorable impact on our budget. In addition, we are closely monitoring this program in conjunction with the Office of the Secretary and the Office of Management and Budget.

CUSTOMER OUTREACH -- I am pleased to report a number of noteworthy accomplishments to this subcommittee. Within the last two months we have met with the airlines and FAA air traffic control experts across the country and identified more than 4,000 restrictions and time-consuming routing requirements that have accumulated over the years. We are in the process of assessing which ones can be eliminated or modified to allow the system to work more efficiently with no degradation of safety. We already have examples -- one airline reports saving 800 pounds of fuel per aircraft per week at its major hub due to improved FAA procedures. Another airline has reported major reductions in delays at its largest hub, and another reports that its average taxi time at JFK airport in New York has been reduced by 9 minutes per flight. These are savings that will show up on the airlines' bottom line and in the form of better services to the public.

INTERNATIONAL LEADERSHIP -- We are committed to providing the US flying public with an equivalent level of safety and security no matter where they are traveling. We are doing this through a variety of programs,

programs where we are directly involved, such as the security assessments which we perform worldwide, and the relatively new International Aviation Safety Assessment Program, which assesses the ability of a country to oversee its carriers, according to its commitments under the Chicago Convention.

Our second clear international objective is to reduce the costs of the aviation system for our customers. In the case of the airlines, they are developing important markets in other regions of the world. For example, American carriers have captured about 56 percent of the traffic in Latin American over the last three years.

Finally, in the area of international aviation standard setting, it has been clearly established in all market sectors that the countries that establish the standards -- whether for computers, telecommunications or aviation -- provide an enormous advantage to their industry. While the FAA is not -- I repeat not -- a trade promotion agency, we believe that the adoption of the safety standards we set for our equipment and the use of equipment manufactured by US companies that meet these standards, advance safety and security worldwide.

Aerospace products have been the US's major export sector year after year, and if we expect to dominate the market in the future, the establishment of standards and introduction of new technology is a critical role of the FAA.

The FAA can no longer assume its job is only within our continental boundaries. Aviation is inherently international. International markets are

critical to the future growth and profitability of the aviation manufacturing sector and our airlines. Also, the FAA has a key role to play in supporting our industry, as well as, being the vigilant on behalf of the flying public's safety.

BUDGET -- Our overall budget for fiscal 1996 is about the same dollar total as we have in fiscal 1995, but with about a $200 million reduction in purchasing power. Our staffing streamlining and consolidation of facilities will partially offset this flat budget through higher productivity.

Within the overall request there are several subtle but important shifts in emphasis. First, despite a planned net reduction of about 400 more people, we require an increase in our Operations budget of 2.7 percent to $4.7 billion. The Facilities and Equipment budget is about 9 percent below fiscal 1995. The Research and Development program, at $268 million, increases about 3 percent which about covers inflation, but which also reflects several shifts in priority. The Airport Improvement Program is being restructured as part of the Unified Transportation Infrastructure Investment Program (UTIIP).

OPERATIONS -- At $4.7 billion, our operations budget accounts for a little over half (56 percent) of our total budget. Our operating costs are about 77 percent payroll-related, and most of the balance of $1.1 billion is in largely fixed or mandatory costs such as telecommunications, rent, utilities, and maintenance costs for our equipment and facilities. The Operations budget is critical to real-time safety and performance of the air traffic control system, the inspection and certification of airlines, aircraft, pilots, and mechanics, and the security of our airports, airlines and their passengers. Due to its payroll-

intensive nature, the need to operate 24-hours a day, 365 days a year, and all our streamlining efforts, the operating budget is very tight.

Normal inflationary adjustments and mandatory pay raises force our costs up by more than $150 million in 1996 despite our downsizing and numerous other efficiencies to control costs.

Our operating costs also increase because we will be commissioning several hundred more pieces of equipment such as Airport Surface Detection Equipment, Terminal Doppler Weather Radars, Automated Weather Observing Systems, Instrument Landing Systems and others. The communications, maintenance, spare parts and training costs associated with these new systems require about $61 million in addition to the base costs we incur. The operating budget also supports the addition of 261 new people to our safety inspection and certification workforce and 50 people to our airports organization. We are committed to assuring that grant recipients adhere to grant conditions regarding quality of construction work and airport revenue diversion.

FACILITIES AND EQUIPMENT (F&E) -- At $1.9 billion, this is the lowest request for F&E funding that the FAA has sent to Congress since 1989. The maturing of several on-going procurements combined with the restructuring of the Advanced Automation System (AAS) program allows me to recommend this level with confidence. Highlights of the F&E budget include:

- In this year's budget request, the AAS has been segregated into three parts -- en route, terminal, and tower to increase program accountability for "like" products. The budget includes $378 million for the projects that

replaced AAS, down from $418 million for comparable projects in FY 1995.

- Initial funding for the eventual replacement of all of the controller radar displays and radar processing computers at about 150 Terminal Radar Approach Control (TRACON) facilities. The Department of Defense will also procure this identical system to replace its aging ATC displays and processors. We call this joint program STARS or Standard Terminal Automation Replacement System and by early in the next decade all of the FAA and DOD systems will use the same hardware and software thus saving substantially in training, hardware and software support. Most of the hardware will be off-the-shelf equipment.

- We own and operate over 425 control towers and 208 TRACONs -- a major national aviation infrastructure. $86 million is requested for the replacement of 19 control towers and 11 TRACONs as well as modernization of 39 control towers and 16 TRACONs. Some of these projects have been started in the last several fiscal years.

- This appropriation also funds about 2,250 workyears of FAA staffing and 1,365 workyears of contract engineering services which oversee the installation of new and replacement equipment in the field.

RESEARCH, ENGINEERING AND DEVELOPMENT -- The 1996 request for research and development is $268 million. With these funds, the FAA develops and validates the technology for air traffic management as well as understanding the technology of commercial airline and general aviation

aircraft. We conduct R&D in these areas to assist us in setting the standards for the manufacture and operation of aircraft. We are also the world's leader in the technology of explosives detection. An initiative in 1996 is the installation and demonstration of new Explosive Detection Systems (EDS) and security screener proficiency evaluation and reporting systems at major airports. We will continue to make advances in Terminal Air Traffic Control Automation (TATCA) where we are developing new software tools which increase controller productivity and the efficiency of arrival and departure paths at airports. We have work underway for advanced techniques to monitor airport surface movements and improved communications through the Aeronautical Telecommunications Network and air-to-ground data link channels. We also support efforts in the use of non-destructive testing of aircraft, the study of human factors in the cockpit and in maintenance hangers, as well as certain efforts regarding the environmental aspects of aviation (noise and emissions). This appropriation also funds 703 workyears of FAA staffing.

AIRPORT GRANT RESTRUCTURING -- The Secretary is proposing that transportation infrastructure programs previously funded through separate modal grant programs, including airport grants, be consolidated and replaced by a single account called the UTIIP. Airport development will be eligible for funding from the proposed consolidated UTIIP. In addition, we are requesting funds to continue current Letter of Intent commitments.

USER FUNDING/TRUST FUND STATUS -- In fiscal 1996, we estimate that users will pay about $6 billion into the Airport and Airway Trust Fund. When combined with interest earned on invested balances, the Trust

Fund will realize $6.7 billion in income in 1996. Of this, $5.1 billion comes from the 10 percent ticket tax, $353 million from freight waybill tax collections, $247 million from international departure taxes, and $179 million from combined taxes on aviation gasoline and aviation kerosene used by general aviation. We intend to use $6.4 billion of these funds to finance 70 percent of the FAA programs in fiscal 1996. The balance will come from the General Fund. The uncommitted balance in the Trust Fund stood at $3.7 billion at the end of September 1994 and we project the balance to be about $3.3 at the end of fiscal 1996.

The most important point to emphasize about the Airport and Airway Trust Fund is that the FAA is largely financed by the users of the aviation system, not by income taxes or the General Fund of the Treasury.

CORPORATIZATION -- On Thursday, I will have separate testimony on our proposal to create a separate, off-budget Federal corporation to finance and operate the ATC system.

The reality is that ATC needs to be able to operate like a business, but can't do so under our current structure. In order to keep pace with the growth I spoke of earlier, we need fundamental reform of our budget, personnel, and procurement systems. Without it, we are consigned to continue the pattern of lagging behind the technology and efficiency of the industry that we control.

I know that the Chairman and others have suggested alternative means of achieving reform. The hearings today and tomorrow will underscore the

need for reform, and I look forward to Thursday's hearing, where we'll discuss how to make that reform.

Mr. Chairman, that concludes my opening statement. I would be pleased to respond to any questions you may have.

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DAVID HINSON, ADMINISTRATOR
FEDERAL AVIATION ADMINISTRATION
SUBCOMMITTEE ON TRANSPORTATION
AND RELATED AGENCIES APPROPRIATIONS
US. HOUSE OF REPRESENTATIVES
MARCH 14, 1995

- Good morning, Chairman Wolf and members of the Subcommittee. I am very pleased to appear before you today to discuss the FAA's budget request for fiscal year 1996.

- I congratulate you, Mr. Wolf, on your appointment as Chairman of this Subcommittee. We look forward to working with you and the Subcommittee.

- Today, I'm happy to say that we have good news to report.

- For the first time in quite awhile, most of the economic signs are positive.

- Last year, 555 million passenger boarded flights on U.S. carriers -- an increase of more than 8 percent.

- Revenue passengers miles grew 5.5 percent.

- And, for the industry as a whole, the long string of annual losses finally was broken -- there are clear indications of a turnaround for the airline industry.

- But while we are optimistic, our optimism is tempered with caution.

- The airline industry is still struggling to regain its financial footing.

- I strongly believe that only a strong and ongoing partnership between the private and public sectors can produce the steady stream of high-quality solutions that these challenging times demand.

- Now, before I turn to the budget and your questions, I would like to describe for the Subcommittee a number of initiatives that we have underway that, I believe, are a valuable framework within which to better judge the budgetary needs of the agency.

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- Yet despite our remarkable achievements, the seven fatal accidents last year bear solemn witness that our safety initiatives require renewed energy and creativity.

- Recent FAA safety actions have included:
  --Creating a new top-level safety analysis office.
  --Moving to create "one level of safety" between large and commuter carriers.
  --Adding 300 employees to the certification and flight standards workforces, bringing the total to about 4,300.
  --Developing new tools such as: Terminal Doppler Weather Radars, and Airport Surface Detection Equipment.

- Since 1993, the FAA has sustained budget reductions of more than 8 percent -- but, while our resources are shrinking, our responsibilities keep expanding.

- Staff reductions, budgetary constraints, and an ever-growing demand for our services led to my November 30 headquarters reorganization formed along the six operating arms of the agency, all of which represent very distinct product and service lines.

- We are also making strides in reducing unneeded layers of management, particularly in our Airways Facilities organization.

- Last year we contracted out 25 small control towers, and plan to contract for 25 more each year until we have converted almost 100 towers at an annual savings of over $20 million.

- Downsizing efforts will continue. By the end of this fiscal year we will have reduced FAA employment by more than 4,240 people since the beginning of fiscal 1993 (when you include part-time personnel).

- But, even as we downsize we are steadily improving customer outreach.

- We are in the process of assessing which of the 4,000 restrictions and routing requirements can be eliminated or modified to allow the system to work more efficiently with no degradation of safety.

- Initiatives in this budget will allow us to continue to expand capacity and reduce delays.

- Aviation is inherently international, and the FAA can no longer assume its job is only within our continental boundaries.

- Hence, we are committed to providing the U.S. flying public with an equivalent level of safety and security no matter where they are traveling.

- We are doing this through a variety of programs -- programs where we are directly involved, such as the security assessments we perform worldwide and the relatively new International Aviation Safety Assessment Program.

- We are also pursuing worldwide improvements in safety by working through ICAO and other regional groups.

- In addition, we believe that the adoption of the safety standards we set for our equipment and the use of equipment manufactured by U.S. companies that meet these standards, advance safety and security worldwide.

- Now, that I have given you a brief overview of our continuing objectives, I would like to move to a discussion of our fiscal year 1996 budget request.

- Our overall budget request for fiscal 1996 is almost the same dollar total as for fiscal 1995 -- but with about a $200 million reduction in purchasing power.

- At $4.7 billion, our operations budget accounts for a little over half (56 percent) of our total budget.

- Those costs are over 77 percent payroll-related, with the balance largely fixed costs such as rent, telecommunications, utilities, and maintenance.

- Due to its payroll-intensive nature and the need to operate 24-hours a day, 365 days a year, FAA has little flexibility with the operating budget.

- Normal inflationary adjustments and mandatory pay raises force our costs up by more than $150 million in 1996, despite our downsizing and numerous other efficiencies to control costs.

- Operating costs also will rise because we will be commissioning several hundred new pieces of equipment.

- The operating budget also supports the addition of 261 new people to our safety inspection workforce and 50 people to our airports organization.

- The fiscal year 1996 Facilities and Equipment program request of $1.9 billion is the lowest request for the F&E program since 1989.

- The maturing of several on-going procurements combined with the restructuring of the AAS program allow me to recommend this level with confidence.

- Highlights of the F&E budget include purchase of:
  --Controller radar displays and radar processing computers, called STARS or Standard Terminal Automation Replacement System.
  --New ASR-11 Airport Surveillance Radars.
  --Replacement of 19 control towers and 11 TRACONS, as well as modernization of 39 control towers and 16 TRACONS.
  --2,250 workyears of FAA staffing and 1,365 workyears of contract engineering services.

- FAA's RD&E budget for $268 million includes funding for:
  --Demonstration of New Explosive Detection Systems.
  --Advancements in Terminal Air Traffic Control Automation.
  --The study of human factors in the cockpit, as well as certain efforts regarding the environmental aspects of aviation.
  --703 workyears of FAA staffing.

- The Secretary is proposing that transportation infrastructure programs previously funded through separate modal grant programs, including airport grants, be consolidated and replaced by a single account called UTIIP.

- Airport funding will be eligible for funding from the proposed consolidated UTIIP.

- In addition, we are requesting funds to continue current Letter of Intent commitments.

- In fiscal 1996, we estimate that users will pay about $6 billion into the Trust Fund -- combined with interest earned on invested balances, the Fund will realize $6.7 billion in income in 1996. We intend to use $6.4 billion of those funds to finance 70 percent of the FAA in fiscal 1996.

- On Thursday, we will have separate testimony on our proposal to create a separate, off-budget Federal corporation to finance and operate the ATC system.

- The reality is that ATC needs to be able to operate like a business, but can't do so under the current structure.

- Mr. Chairman, that concludes my opening comments. I would be pleased to respond to any questions you may have.

FAA ADMINISTRATOR DAVID HINSON
THE 1995 ASIA-PACIFIC AVIATION SYMPOSIUM
LOS ANGELES, CA
MARCH 23, 1995

Good afternoon. The United States is deeply honored to host this meeting of distinguished aviation leaders from nations throughout the Asia-Pacific Region. It is my personal pleasure to welcome you to our country.

I also want to welcome the many representatives of U.S. companies who are attending this symposium, and I want to thank them for their ongoing efforts to strengthen international aviation by sharing their technology and expertise.

Before we really get started today, I also want to take a moment to offer the sincere thanks of the United States government and the American people to our many international friends who have worked so closely -- and so effectively -- with the FAA and other U.S. government agencies to keep international air passengers safe -- not only from accidents, but also from terrorism and other criminal acts. Thank you.

I consider it a great privilege to have this opportunity to talk with you today about the mutual challenges we must overcome to ensure that international aviation will continue to grow strong and succeed in the 21st century.

Those challenges fall into three major categories:

- improving aviation safety during a period of rapid expansion;
- expanding capacity through airport development and the use of new air traffic control technology and procedures;
- organizing civil aviation authorities to do an even better job of regulating, overseeing and helping to ensure aviation safety;

The key to overcoming those challenges and ensuring the long-term global success of aviation is *cooperation*.

All of us who are involved in civil aviation have a responsibility to make air travel as safe, efficient and inexpensive as possible—not only within our own borders, but also internationally.

Aviation today is a *global* enterprise, and Asia is the fastest growing aviation market in the world. There are two major reasons for that growth. First, Asia's population is the largest of any region in the world—and it's growing rapidly. Second, Asia has the world's highest economic growth rate. When those two factors converge, more and more people start flying.

Thirteen of the top 25 city-pair combinations in the world are in Asia. The average annual growth of these Asian city pairs—combinations like Tokyo-Seoul and Singapore-Bangkok—is 10 percent.

The increasing demand for air travel has created a high demand for aviation products. Currently, 31 percent of all wide-body orders are coming from Asian airlines.

Aircraft manufacturing is a growth industry in Asia, but the region is also a major focus for U.S. companies, because they know that the future success of U.S. aviation is closely tied to the growing Asian market.

This kind of growth creates tremendous opportunities, but it also creates serious challenges—challenges that may affect the safety, efficiency and economy of aviation in the Asia-Pacific Region and throughout the world. I want to talk about those challenges now, and about how we can work together to overcome them.

First, I want to talk about our number one priority: improving safety during a period a rapid growth.

The United States faced a similar challenge when the airlines were deregulated in 1978. Suddenly, there were a lot of new carriers offering low fares and attracting a huge number of passengers.

The entire system was under severe strain. Airplanes were packed. Airports were overcrowded. Air space was increasingly congested.

During that turbulent period, the United States not only maintained our usual high standards of safety, we also steadily improved our safety record. Our experience proves conclusively that rapid growth in air travel is not incompatible with safety.

In aviation, safety *is* the bottom line. Safety is the foundation for public confidence, and public confidence sustains the growth and economic viability of our industry.

When deregulation occured, the United States already had developed a solid safety net of infrasturcture, technology and oversight, which allowed us to respond quickly and successfully to the dual challenges of accommodating rapid growth and improving safety.

And that brings me to my next point: enlarging capacity through airport development and improved air traffic control.

When it comes to airport development, countries in the Asia-Pacific Region are leading the world. Several new airports are being built in China, Japan, Korea, Hong Kong, Thailand and Macau. Other existing facilities are expanding by adding new runways. Both are essential to increasing the capacity of the international aviation system.

But expanding capacity means more than pouring new concrete. It also means using air space more efficiently. And that requires a continuing commitment by all of us to improve air traffic management and to make sure that our national and regional systems are harmonizing to create an international system that delivers the highest levels of safety, efficiency and capacity.

That's not easy. I know that for many countries in this region and throughout the world, just supplying the basics -- adequate airports, air traffic control and safety oversight -- is a monumental task. It requires investments that many countries simply cannot afford. It also takes planning and expertise that may not be available in nations with less mature transportation systems.

The United States and the FAA are working with the international aviation community to provide other nations with some of the technology, expertise and other resources they need.

As you know, the United States has worked for more than a decade to design a fully modern air traffic control system that will enable us to handle the future growth predicted by even our most optimistic forecasts.

This new system has three core components:

- satellite navigation;
- data link for error free computer-to-computer communications;
- and advanced automation for maximum efficiency.

The shift from ground-based air traffic control to high-precision satellite navigation is a critical moment in aviation history. And that moment is now.

The FAA is moving quickly to make the transition to satellite navigation using the Global Positioning System, or GPS. We have already authorized the use of GPS for supplemental navigation down to and including non-precision approaches. Soon, we will be using GPS for Category I approaches, and we are investigating its use for Category III landings.

An interim GPS system is already making it possible to fly more flexible and direct routes across the South Pacific and elsewhere to safely reduce separation between transoceanic flights.

This interim system -- the Future Air Navigation System, FANS-I -- uses GPS and satellite communications with two-way data link and automatic dependent surveillance.

GPS is proven technology that is well-suited to the urgent needs of aviation in the Asia-Pacific Region.

First, GPS can provide precise and reliable navigation over vast expanses of ocean, desert or mountains, where it may be difficult or impossible to locate adequate ground facilities.

Second, GPS can safely reduce the separation between airplanes, thereby improving the flow of air traffic in heavily congested skies over Asia's largest population centers. And that kind of precision can save money.

Recent studies of U.S. airplanes in U.S. air space over the Pacific indicate that reduced separation can save an airline operator as much as $200 million in fuel costs and time. Extend that capability worldwide, and the savings increase dramatically.

Third, GPS provides a technologically advanced air traffic control system at relatively low cost, because it eliminates the need to build and maintain many expensive ground installations. GPS can turn virtually any landing strip into an instrument runway.

Finally, GPS simplifies the complex task of creating an integrated international air traffic control system that will reduce the safety, technology and capacity barriers that can separate our nations.

The United States is making GPS available at no charge to civil aviation throughout the world. We are working closely with the International Civil Aviation Organization (ICAO) to make this a successful first step toward achieving ICAO's global satellite navigation system. The contract for the Wide Area Augmentation System -- a key component of GPS -- is proceeding on schedule, and we expect to award the contract in May of this year.

The United States is fully committed to ensuring the integrity and reliability of the GPS system.

I want to encourage every nation represented here to take full advantage of GPS at every stage of its development. As I said before, FANS-I is already a reality, but we need to expand its use throughout the North Pacific, as well as the South Pacific.

The next stage of GPS -- as approved by ICAO -- soon will be available to all of you.

Now, we must work on moving to the full Global Navigation Satellite System -- a permanent worldwide solution to the problem of precise navigation and maximum air space efficiency.

But a successful transition to GPS, as well as the other changes that will be necessary to improve aviation infrastructure throughout the Asia-Pacific Region, will require an organizational framework capable of managing those changes.

And that brings me to my final point: civil aviation authorities throughout this region must improve their ability to effectively regulate and oversee aviation operations and to ensure the safety of air travel.

To help achieve that goal, the United States government and the FAA have taken several important steps, and we are calling on other nations with advanced capabilities -- especially Japan -- to respond in kind.

Working through ICAO, the United States has made the commitment to participate in the ICAO proposed aviation safety mechanism. As part of our commitment, we are considering providing financial support and personnel. The FAA seeks similar support from Japan.

The FAA also seeks support from Japan and other nations in the Asia-Pacific Region for the establishment of a regional core group for harmonized aviation standards and operating practices. The purpose of this initiative is to encourage civil aviation authorities to work cooperatively to adopt and administer harmonized flight safety standards and requirements.

The United States supports ratification of ICAO's Article 83 bis. This proposed amendment to the Chicago Convention would provide countries with a basis for bilateral agreements for the transfer of safety oversight responsibilities. Eighty-three states have ratified this amendment. Another 15 states are needed for ratify and implement the proposal.

The FAA also is increasing its staffing of facilities in Asia in an effort to provide additional help and expertise to civil air authorities throughout the region.

In January, Sharon Darnell was named International Technical Program Manager and stationed in Singapore. Her job is to provide additional research, engineering and development support for the region. She will focus on planning, management and coordination of communication, navigation and surveillance technologies to facilitate better air traffic management in the Asia-Pacific Region.

By the end of this summer, we will be posting a new Airworthiness Representative to Singapore to provide additional certification and airworthiness assistance on a case-by-case basis.

In the global aviation system that is emerging, the problems of one nation can easily become the problems of all -- but so can the solutions. Individual countries can no longer be expected to work out their aviation problems alone. The issues are far too complex and pervasive to be addressed unilaterally.

And that brings me back to my original point.

The real key to overcoming our mutual challenges and ensuring the long-term global success of aviation is *cooperation*.

This conference is a good beginning.

Thank you.

FAA ADMINISTRATOR DAVID HINSON
"100 DAYS" COMMUTER RULE
MARCH 24, 1995

MESSAGE POINTS

1. **SAFETY**
   The rule sets " one level of safety" for all scheduled passenger-carrying flights.

2. **COMMITMENT**
   This action fulfills our commitment to develop this new rule in 100 days.

3. **BOLD ACTION**
   This is the most comprehensive and far-reaching rule ever developed by FAA.

TALKING POINTS

- Why do we need this new rule?

  This rule establishes one level of safety for all scheduled passenger-carrying flights.

  For the first time, commuter airlines will have to meet the same rigorous safety standards as the major air carriers.

  Establishing a new standard of safety is essential to keep pace with the tremendous growth in the commuter airline industry during the last two decades.

  During the last 20 years, we have seen a major trend toward integration of commuter operations with the major and national carriers along with a consolidation of smaller carriers to form larger commuter airlines.

  The commuter airline fleet in 1978 was comprised of smaller, general aviation-type aircraft. The fleet of today is made up of newer, larger aircraft.

  In the categories of aircraft covered by this rule - 10 to 30 seats - the growth is staggering. The number of commuter aircraft in the 10 to 19 seat category have tripled to 800 airplanes. In the 20 to 30 seat category we have seen an eight-fold increase to 300.

  Rules governing commuter airline operations were last overhauled in 1978. Since that time FAA has issued 50 amendments to the rule.

Tremendous growth in the commuter airline industry in the last 20 years has prompted this sweeping overhaul of the regulations.

Our work toward achieving one level of safety didn't begin, and it won't end with this new rule.

FAA already has rules in progress on flight and duty time, training, crew pairing, use of simulators for training. We are considering rulemaking on digital flight data recorders, age 60 limit for airline pilots, and Alaskan operations.

The American public has the right to expect the same level of safety whether they are boarding a four-engine jet or a twin-engine turboprop. This rule will guarantee that level of safety is achieved and maintained.

The safety record of commuter airlines has improved steadily since 1978, but it still falls short of the major carriers' outstanding record.

Commuter airlines are working hard to improve safety, and this rule takes a common sense approach to supporting efforts.

Setting a uniform safety standard will ensure maximum passenger safety as the commuter industry continues to grow.

The NTSB review of the commuter airline industry and subsequent recommendations, coupled with three unfortunate accidents in 1994 have prompted us to propose this unprecedented rule which will establish a single standard of safety.

- What does this rule do?

This rule standardizes requirements for aircraft equipment, airline certification and operations and personnel for all air carriers operating aircraft with more than 10 seats.

From first aid kits to flight attendant manuals, passengers will be assured of the same standard of safety whether the aircraft they are boarding has 10 seats, 100 seats, or 300 seats.

Aviation safety is a partnership -- government, industry, and labor.

Three major airlines -- Delta, American, and Northwest -- have already made the commitment to have their commuter airline partners comply with regulations set for major airlines.

We are confident that all of our partners in aviation safety will support this sweeping effort to create a new standard of safety for the airline industry.

- How much will the rule cost?

  Our purpose is to achieve the highest level of safety without imposing unnecessary regulations or costs.

  The rule is expected to cost commuter airlines $275 million during the next decade.

  The stricter safety requirements are expected to prevent nearly 100 accidents during the next ten years at an average estimated cost saving of $5.9 million per accident.

  The cost to passengers on a one-way ticket will be $1.91 on 10 to 19 seat aircraft and only 68 cents per ticket on 20 to 30 seat airplane.

- How was the rule developed?

  Through the Herculean efforts of a team of 50 FAA staff dedicated only to this project, we have met our goal of developing this rule in less than 100 days.

  Our team did an outstanding job of completing the rule proposal in the shortest time ever for development of a new aviation regulation.

  Given the current call for a blanket moratorium for federal regulation, this rule is an excellent example of government aggressively acting in the public interest.

  Teams of FAA experts examined every aspect of the commuter airline industry -- aircraft certification and performance, operations, cabin safety, and maintenance.

DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
AERONAUTICAL REPAIR STATION ASSOCIATION
HYATT REGENCY CRYSTAL CITY
MARCH 27, 1995

Thank you, Tony (Obadal)[1]

It's a great pleasure to be with you today. It's always good to see old friends, of course, but I also welcome this opportunity to hear directly from you about the challenges you're facing every day on the front lines of the aviation industry.

In the 19 months that I've been at the FAA, I've spoken at more than 100 events like this one. Each group is a little different. Each has its own point of view about our industry and its own idea of the direction that we should be heading.

Yet underlying that diversity is a unifying bond. All of us -- every person who flies, regulates, or services aircraft -- has a shared responsibility for the overall integrity of the aviation system.

And aviation ***is*** a system -- a series of interdependent elements that are woven into a strong and secure safety net for air travel. Yet there is one element that we know is absolutely critical to the economic viability of our industry: public trust.

Over the years, the aviation industry earned the public's trust -- and we deserved it. But that trust must be maintained constantly or it can begin to erode. There is no room for second best, no margin for error. We are now in an era when there is zero tolerance for failure, when the only acceptable goal for aviation safety is zero accidents.

Today, I'd like to talk about the enormous responsibility that we all must shoulder if we are going to preserve public trust in aviation in the years ahead.

As you know, that kind of work doesn't take place in a static environment. According to the most recent FAA forecasts, the demand for aviation services around the world is expected to double -- and in some cases triple -- within the next few years. Our job will be to steadily improve our already outstanding record of safety, while meeting the challenges of unprecedented growth in aviation.

In the past, federal regulation has been essential to promoting public safety and creating public trust. And it will be crucial to maintaining both in the future.

But effective regulation itself depends on a certain level of trust and cooperation between government and the industry.

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[1] Anthony Obadal is senior partner, Obadal and MacLeod, and managing director of ARSA.

The safety partnership between government and industry over the years has produced an aviation system that has almost zero defects. Some accidents have occurred, but we have almost eliminated hull losses in the commercial jet fleet.

Let me give you a couple of statistics to illustrate what I mean. The worst year in the history of commercial aviation in terms of accident rate was 1961. If U.S. air carriers had experienced the same accident rate in 1994 as they did in 1961 -- given the growth of air travel in those 33 years -- the result would have been 265 accidents, 35 of them fatal.

Instead, in 1994, as bad as it was, the major carriers had 22 accidents -- four with fatalities.

Until last summer, major U.S. carriers had gone 27 months and carried nearly 1 billion passengers without a single fatality.

The dramatic improvement in air safety since 1961 can be traced directly to steady and significant improvements in four key areas.

One is the tremendous advances that manufacturers have made in jet aircraft technology. The first generation of jet aircraft had hull-loss rates 3 to 5 times higher than today's rates.[2]

The new jet airplanes have pressure differentials of between 8 and 10 pounds, compared to 4 to 5 pounds for the earlier jets. The new planes are so much stronger -- so much more advanced -- that when properly inspected, maintained, and repaired, they can last indefinitely.

Certainly, much of the improvement in commuter safety in recent years can be directly traced to the switch from prop planes to turbo-jets and jet aircraft. You wouldn't know it from the stories you read in the paper, but the accident rate for commuter airlines in 1994 was the lowest on record.

The second improvement I'd like to mention is power plant and propulsion development. There are still people around who remember when engines lasted 2,000-3,000 hours, then they had to be overhauled. And the closer you got to that point, the less reliable the engine became.

It's not uncommon today to have jet engines on the wing for 50 thousand flight hours. They have become so reliable that an engine failure, in-flight, is an event that most of today's young pilots will never experience.

The third factor that has been extremely important to safety is air traffic control technology. We've traced an evolutionary path from low frequency radio navigation to VOR, to ILS and DME, to radar, to automation, and now to satellite navigation with the new Global Positioning System.

With the exception of a few extreme mountainous regions, it is virtually impossible for an aircraft in U.S. airspace to be beyond the reach of air traffic control.

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[2] "Why Airplanes Crash," C.V. Oster, J.S. Strong, and C.K. Zorn; Oxford University Press; 1992, p. 128.

The fourth improvement I'd list is the progress that has been made in training -- and the corresponding increase in the skills and knowledge of flight and maintenance personnel who operate and maintain the aircraft.

I can sum up the reason for this improvement in one word: simulation.

Years ago, when we trained as pilots we simply got checked out. We did a few maneuvers, some steep turns, some engine stalls. Then we were sent out to fly.

We were never taught to work with our first officer, or our flight engineer, or the flight attendants.

Today we use simulation to train pilots, mechanics, flight attendants -- to train essentially everyone who comes in contact with the airplane.

But we also use simulation to teach them to work together as a team. The emphasis now is on crew resource management and advanced qualification programs -- all of which begin to address the psychology of flight safety in the airplane's operating environment.

Most pilots have a hard time accepting that human factors are the single largest problem in aviation safety. Now we're also beginning to understand that some of what we once attributed to "pilot error" may be the result of a whole host of circumstances which we need to look into.

Simulation is one way to address many of those issues. Simulation will be one of the most important -- perhaps even ***the most*** important -- tool in helping us reach the next level of aviation safety.

And the level we are aiming for is 100 percent safety -- zero accidents -- we won't settle for anything less.

Last year, 555 million passengers flew on U.S. carriers -- an increase of more than 8 percent from 1993 and the strongest gain since 1987.

Revenue passenger miles increased 5.5 percent -- up sharply from the sluggish 1.5 percent average growth of the previous four years.

The forecasts we released earlier this month predict that by 2010 the number of passengers on U.S. carriers will double to more than one billion a year.

If we apply today's extremely low accident rate to projected future traffic levels, we would see 55 airline accidents worldwide in the year 2020. That is more than one accident a week.

Obviously, that's completely unacceptable.

Sports writer Beano Cook once observed that, "You only have to bat a thousand in two things -- flying and heart transplants. Everything else you can go for 4 for 5."

To reach our goal of 100 percent safety, we've got to do more than just change some of the things we do. We must also change the way we think.

The aviation community and the public must understand -- and finally believe -- that aviation accidents are ***not*** inevitable. One hundred percent safety is possible. We can bat a thousand.

The Aviation Safety Conference in January was an attempt to cross this mental threshold.

The safety conference produced 173 action initiatives -- developed jointly by industry, government and labor representatives -- which have now been integrated into a comprehensive Safety Action Plan with specific deadlines. Almost two-thirds of those joint initiatives -- 104 out of 173 -- will be completed by the end of September.

Last Friday, Transportation Secretary Federico Pena and I announced a new FAA proposed rule, which would require commuter airlines that operate airplanes with 10 or more seats to follow the same safety standards as the major airlines. We promised to publish the proposed rule in 100 days, and we delivered on that promise.

We also are moving quickly to deploy new technologies that improve safety, such as Doppler weather radar, data link communications, radar to help prevent runway incursions, and GPS satellite navigation.

I brought in George Donohue from the Rand Corporation a few months to make sure that these and all our modernization programs stay on schedule.

This past December, I announced a series of organizational changes, which I believe will make it easier to manage our programs as a well-run business would, and sharpen our edge when it comes to dealing with safety issues.

I recently hired Chris Hart -- a former member of the National Transportation Safety Board -- to head up a new office whose sole mission will be system safety analysis. I will look to Chris to provide me with an independent view on emerging safety issues.

In today's global environment, an aviation accident is a major news event with instant worldwide coverage on CNN.

As the federal agency charged with aviation safety, part of our responsibility is to respond decisively when an accident occurs. It's our job to identify the problems, solve them, and to make sure that those same problems will not cause future accidents.

That's been a big part of the FAA's history as a regulatory agency. Read our record and you read a story of the steady, systematic elimination of one hazard after another.

Think for a moment what it would be like to fly in our busy airspace without ground proximity warning systems, Mode C Transponders, TCAS, improved windshear detection and avoidance, cabin flammability standards, explosive and metal detection equipment at airports, or deicing procedures.

These are all impressive achievements, but they were accomplished after the fact. They were responses to situations that had already aroused public concern.

In today's environment -- with the growth we're expecting -- that's not responsive enough. We must take a more pre-emptive approach, anticipating hazards and effectively intervening before accidents or injuries can occur.

Regulation is still the foundation for aviation safety, and we will continue to take responsible steps to build on that framework. But our overall strategy must change -- from corrective to preventative.

This is an historic change, but it does not mean more intrusive or more expensive government.

Comprehensive cost/benefit data will help us make better decisions and better rules. It will help us to make measured, well reasoned choices when events demand decisive action.

We know we can do a better job of assessing the cost of our rulemaking decisions and we will. The cost-benefit conference we sponsored last June is a step in this direction.

I have also taken steps to weed out those regulations which have outlived their usefulness or that impose an unwarranted burden on the industry. Shortly after I arrived at the FAA, I invited the public to identify the three regulations that caused them the most concern.

We received 426 recommendations from 184 sources. We reviewed them all and published a report in January stating the action we will take on each one.

The comments came from a broad spectrum of the industry, labor, public interest groups, and individuals. I know we received some comments concerning repair facilities, but I don't know the details.

If you haven't seen the report, you may want to get a copy from our rulemaking office.

I believe that, on the whole, the FAA has been mindful of the industry's concerns and has tried to work cooperatively as a partner. The Aviation Regulatory Advisory Committee was formed with just this purpose in mind.

ARAC's 64 member organizations represent all of American aviation and large number of interested parties -- including labor unions and safety advocacy groups that have an interest in the effects of FAA regulations. From these diverse perspectives, ARAC has been effective both in proposing new rules and in suggesting revisions to old ones.

A committee this large and diverse is going to find it hard to reach agreement on every issue. Even so, the products generated by the committee process provide us valuable insight that we need to make informed decisions. The Flight Time Limitations and Rest Requirements rule is a case in point.

Since it was formed in 1991, we have engaged the ARAC in some 130 tasks -- 90 of which are ongoing. I know the committee was disappointed that we didn't send the recently proposed commuter rule to them -- but our commitment to complete the NPRM in 100 days simply didn't give us enough time for the ARAC process.

The ARAC also provides a valuable forum for the harmonization of rules and procedures with our international counterparts. This is one of my top priorities, first as a matter of safety, but also for economic reasons.

For example, the General Accounting Office reports that aviation manufacturers estimate they could save between $800 million and $1 billion over ten years if international differences in airworthiness standards and duplicate certification tests were eliminated.

I want to commend Walt Coleman and everyone on the committee, who worked on the four recent proposals to harmonize U.S. small airplane and rotorcraft regulations with those of the JAA.

I am expecting equally great things from Sarah MacLeod when she takes over as Chair of ARAC. We received approval last month to renew the charter, so this committee is going to be around for quite a while.

I'd like to close with an observation from the grand old man of management consulting, Peter Drucker, who says that "there is a big difference between doing things right and doing the right thing."

With the help of groups like the Aeronautical Repair Station Association and the Aviation Regulatory Advisory Committee, there is no reason why we can't do both.

Thank you.

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FINAL
3/29/95

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TRANSPORTATION, CONCERNING FAA NON-TECHNICAL TRAINING. MARCH 30, 1995.

Mr. Chairman and Members of the Subcommittee:

I welcome the opportunity to appear before you today to discuss the training programs of the Federal Aviation Administration (FAA). From the outset, I want to stress four key points to the Subcommittee.

First, Gregory May training, which has been highlighted by the media and was the key feature of the Inspector General (IG) report, was suspended by Secretary Peña when he first heard complaints about this training over two years ago. I also discontinued last year a diversity training course after learning of objectionable elements.

Let there be no doubt: there is no place at the FAA for the training practices described in the IG report or recently portrayed in press accounts. It is simply unacceptable to subject individuals to irresponsible training techniques, and not one cent of taxpayer money should be spent on this kind of activity.

Second, the IG conducted the investigation at the request of Secretary Peña, and upon receiving the IG's report, the Secretary and I initiated action to evaluate the IG's 17 recommendations. We are now implementing these recommendations. In fact, even before the IG's report was completed, we had already issued improved training procurement procedures and made critical changes, including a new manager, at the FAA's Center for Management Development (CMD).

Third, despite misleading press reports, aviation safety in no way has been compromised by these training programs. FAA employees are among the finest and most dedicated public servants in the government. They staff our nation's air traffic control towers and centers, certificate our air carrier airports, provide for the security of our air transportation system, maintain the radars and landing systems, inspect the safety of our aircraft, and provide flight services to pilots throughout this country. They have allowed the FAA to attain a sustained safety record that is the envy of the world.

Fourth, our training programs--both technical and nontechnical--are critical to the success of the FAA. The Subcommittee and the FAA must work together to ensure that FAA employees have the training necessary to meet the challenges of the future. It would be a tragic error to let the training mistakes of the past stop us from providing the training our employees need to enhance aviation safety in the future.

I will now turn to these four points in greater detail.

Gregory May & Associates conducted training courses from May 1984, to February 1993 for the FAA. There were four basic courses. FAA senior managers and SES executives attended. The core program was a 2-week "Executive School," followed by a 1-week "Executive School Phase II". Over that 10-year period, approximately $1.67 million was spent on all training conducted by Gregory May.

Shortly after being sworn in as Secretary of Transportation, Secretary Peña learned of complaints about training practices associated with Gregory May & Associates. The Secretary promptly suspended the training and directed the Inspector General to initiate an investigation of these training complaints. No training has been provided by Gregory May & Associates to either FAA or DOT in the past 2 years.

Upon receiving the Inspector General's report several weeks ago, the Secretary and I promptly initiated action to evaluate its 17 recommendations for improving the conduct of FAA training. Today, we are implementing those recommendations. Before the IG's report was completed, as I noted a moment ago, we had already issued improved training procurement procedures and brought in a new CMD manager, Dr. Woodie Woodward, who holds a doctorate in University Administration and Personnel Management from the University of Kansas. A new contractor was employed at CMD, and we revamped the courses. CMD also underwent college accreditation, and today is accredited by the American Council on Education, and the Southern Association of Colleges and Schools.

To ensure that we are progressing as far and as fast as possible, we have also initiated an additional review of CMD's training content and expenditures. A team of independent, outside experts will review our programs at CMD and recommend any additional steps necessary to bring improvements. We have improved our oversight of CMD course development, and structured a program to evaluate CMD and FAA Academy training. These steps are the leading edge of making FAA management training the outstanding training that it should be. The IG recommendations are consistent with our efforts.

Consistent with the IG report, we are taking additional steps. The Secretary has established a committee to review all departmental training, course content, and expenditures. We are providing a new management team to head our human resource organization and will be holding special training on ethics and conduct for FAA human resource managers.

We are also tightening up our practices with regard to training procurement. We already require that 3 bids be made for training contracts below $25,000, and that the FAA

contracting officer must have completed a 32 hour small-purchase course before being granted the authority to make small-purchase contracts. We are also placing renewed emphasis on existing restrictions on contractors, prohibiting contractors from using their governmental training courses to solicit participation in private, non-governmental training courses and requiring all consultants and contractors to document background qualifications. These steps are intended to ensure that only high-quality trainers with appropriate academic credentials be allowed to train federal employees.

In turning to the third point concerning aviation safety, I want to share my frustration with the Subcommittee about press reports which seemed to suggest that this training compromised aviation safety. It is unfair to FAA employees, the aviation industry, and the traveling public to make such unsubstantiated charges.

The FAA's record over the past ten years shows steady and major improvement as reflected in accident and incident reports. Accident rates are down for air carriers, commuter aircraft, air taxis and general aviation. And reported near midair collisions have sharply declined--from 1058 in 1987, to 286 in 1994.

This does not mean to suggest that everything works perfectly at the FAA or that we haven't faced difficult issues. But, in pushing our reforms at the FAA, my Deputy, Linda Daschle, and I have always found a willingness to take on these challenges. The recently announced commuter rule is just one more example of our guiding principle: zero accidents.

In pursuing the goal of zero accidents, technical and nontechnical training is critical. The FAA, as a worldwide technical safety agency, spends about $250 million each year on training its workforce of over 47,000 employees. The vast bulk of that training--or about

95%--focuses on ensuring that the technical workforce has the up-to-date technical and safety-related skills needed to perform to the exacting levels demanded by the traveling public.

The FAA Academy in Oklahoma City, for example, provides over 1400 technical training courses, and last year served over 15,000 resident students, while providing computer-based and correspondence training to another 12,000 employees. This year, the Academy will train about 350 new flight standards and aircraft certification inspectors, approximately 11,000 FAA pilots, inspectors, and maintenance personnel, and over 2,000 air traffic controllers. There will be newly-developed training for security inspectors in international airport inspections and crisis management, and initial technical training on new equipment for more than 200 engineers and technicians.

The remaining 5% of our training budget is devoted to executive, managerial, supervisory, and staff development training, primarily at CMD. The training at issue in the IG's report was less than .4% of FAA's total training budget. I cite these statistics only to put the training in perspective, not to justify the expenditure of funds for that purpose.

Executive and management training are integral to effectively managing government agencies or corporations, particularly those as large as the FAA. Just as it is critical for our technical employees to be trained in their disciplines, the mid-level and senior people we charge with providing leadership and direction must similarly be trained in teamwork, fiscal prudence, planning, budgeting, labor relations, and the other skills and knowledges so important to helping achieve the agency's goals. Our executive and managerial training programs are designed to instill and sharpen these vital skills. As a former executive in the private sector, I can tell you that this kind of training is considered fundamental to

organizational success, and represents a responsibility where appropriate resources must be committed.

Appropriate diversity training is also key to managing a successful corporation. Companies like Amoco realize that we must take full advantage of every single person. The Chairman of Nations Bank has gone even further, saying the failure to embrace diversity is limiting many American corporations. For him, the business imperative is clear: "Understand diversity or fail". To my mind, a small investment for helping our senior managers better manage diversity is a wise investment.

I would also stress that the training we conduct for our executives is particularly important to the FAA in an era of government downsizing. We need a management cadre that is skilled and can handle the difficult transition as we streamline our agency and reorganize to better meet customer demands and public concerns. The knowledge that we can impart to our supervisors and managers through their training at CMD and in appropriate executive level training is essential to helping us perform our critical safety work. I mentioned several steps that we have taken to improve the quality of our management training. However, I am not satisfied with just being "good," or "adequate". We intend to create, develop and implement training programs that will be the benchmark of management excellence.

Let me close by saying, Mr. Chairman, that we are taking the IG report and its recommendations very seriously. Although the training problems found by the IG resulted from training decisions that preceded our appointments to the Department and the FAA, the Secretary and I are fully committed to putting in place the right processes to ensure this type of training cannot reoccur. I have too much respect for the dedication and contributions of FAA employees to do anything else. We look forward to working closely

with the Subcommittee as we progress in our efforts to shape an improved framework for non-technical training that provides meaningful and appropriate training to FAA employees in the most cost-effective way.

That completes my prepared statement, Mr. Chairman. I would be pleased to respond to any questions you may have at this time.

Administrator Hinson's Talking Points for Aviation Education Partnership-Signing Ceremony with Helicopter Association International (HAI) and American Helicopter Society (AHS) March 31, 1995 10:00 a.m.

- I am glad to be here with **Frank Jensen** of the Helicopter Association International and **Tom Synder** of NASA Ames Research Center (the Chairman of the Board at American Helicopter Society) who came all the way from California to fill in for Rhett Flater (Executive Director of American Helicopter Society) who could not make it today.

OPTIONAL FORM 99 (7-90)

Speech

FAX TRANSMITTAL # of pages ► 14

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-FAA is in need of solid **partnerships** - We look for ways to **share resources** as **creatively** as possible, for example:

-the development of the **videotape** called ***FLIGHT*** (**F**undamental **L**essons **I**n **G**eneral **H**elicopter **T**echnology) is an example of teamwork among FAA, HAI, AHS and Bell Helicopter Textron

-sharing information at numerous **conferences** is another way we work together.

-We must consider our future workforce's training & development needs in the aviation industry.

-I have enjoyed my recent visits to high schools that incorporate transportation into the curriculum, such as **Cardozo's TransTech Academy** here in Washington, DC.

-We must acknowledge that Vertical Flight is a key component of **intermodalism,** the wave of transportation's future.

-We need to focus on:

-improving **public acceptance** of helicopters in major metropolitan communities

-improving public **understanding of benefits** of rotorcraft transportation

-introducing young people to the world of rotorcraft & related **career opportunities**

-**Thanks to Norm Mowbray**, the Aviation Education Representative of both organizations, for working so hard at developing this partnership.

-We need people like him, dedicated to the cause, to continue a strong Aviation Education program in America.

-Thank you all for supporting this worthy cause.

DENVER INTERNATIONAL AIRPORT
PERFORMANCE UPDATE: 30 DAYS
MARCH 31, 1995

- After 30 days of operation, there are **virtually no operational problems** at Denver International Airport. DIA's communications, navigation and air traffic control systems are state-of-the-art -- and so is its performance.

- During the first month, DIA handled 42,000 flight operations with only 245 delays -- about one-half of 1 percent. During the same period at Stapleton in 1994, 3.3 percent of the operations were delayed.

- Virtually all of the delays during the first month occurred on the few days when extremely high winds from the west forced the airport into an east-west configuration, which uses only two runways, instead of the usual and more efficient north-south configuration that allows triple parallel approaches and simultaneous takeoffs and landings. Wind studies over several years show that on average these conditions occur in Denver less than 3 percent of the time.

- Even more dramatic was DIA's performance during an inaugural week marked by snow, severe winds and poor visibility. Only six airplanes were delayed at DIA that first week, despite weather conditions that would have caused more than 1,440 delays at Stapleton -- **a ratio of 240 to 1**.

- DIA continues to perform well. Yesterday, March 30, the new airport handled **1,400 operations with no delays**.

- Within two hours of its official opening at 6:00 AM on February 28, controllers at DIA were clearing airplanes to land in low visibility at the rate of 92 per hour. The same weather conditions at Stapleton -- 400-foot ceiling and 1.5-mile visibility -- would have reduced acceptance to 32 an hour.

- Runway separation distances plus state-of-the-art landing aids at DIA enable triple simultaneous instrument landings, a first in aviation anywhere. Based on system performance during the first seven days, the official airport maximum acceptance rate at DIA has been set at 120 arrivals per hour. Stapleton's maximum acceptance rate was 88 arrivals per hour.

- The entire airport is working well, including air operations, security, baggage systems and terminal transit system. Even the parking facility is exceeding expectations, generating gross income of $3.2 million the first month, nearly $1 million more than was predicted.

- The DIA total construction cost of $ 4.2 billion, with projected first-year service to 33 million people, equates to an annual per-passenger cost of $127. Annual per-passenger costs at other recently completed airports compare as follows: Munich, $591; Hong Kong, $457; Seoul, South Korea, $210. Federal airport grant commitments to the DIA project total $439 million -- a little more than 10 percent of the total cost.

- DIA's 33,000-acre site is equipped with five runways. The site allows for doubling the number of runways to meet future demand. By comparison, Dulles is 17,000 acres -- about half the size of DIA -- O'Hare is 6,500, Atlanta Hartsfield 3,800, and Los Angeles International 3,500.

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