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TALKING POINTS
STARS INSTALLATION AT LOGAN
APRIL 2, 1996

- 1) FAA today awarded three contracts that will pave the way for selection of the winning bidder for STARS by September 30.
 - Raytheon leads one of the three teams.
 - These Product Validation Tests will provide important data that will be a major factor in selecting the final winner from the three qualified bidders.
 - This is another step forward in our revitalization of our air traffic modernization efforts, saving taxpayers money and delivering products on time.

2) Boston is first site scheduled to receive STARS.

- Site survey scheduled for January 1997
- Delivery and initial tests in February 1998
- Operational December 1998

3) Making that December 1998 date will be a real challenge:

- We now know from our discussions with vendors that this is not off-the-shelf technology.
- Program will require more development than we originally thought.
- We are making maximum use of the streamlined acquisition techniques implemented April 1 to help us meet the December 98 date.

4) What is STARS?

- Comprehensive effort to standardize and modernize air traffic control equipment in 165 FAA facilities and approximately 200 DoD facilities nationwide.
- Replaces aging equipment and software.
- Supports increase in air traffic
- Supports safety and productivity enhancements.

5) How will STARS help at Logan?

- Logan TRACON provides air traffic control services within the approximately fifty miles surrounding Logan.
- New equipment is more capable, easier to maintain.
- Upgrades will let FAA take advantage of future advances in technology (e.g., GPS, datalink)

- Ultimately will allow Logan TRACON to safely and efficiently handle traffic growth.

**TALKING POINTS
FAA ADMINISTRATOR
DAVID HINSON
SUN 'N FUN EAA FLY IN
APRIL 15, 1996**

Good morning and welcome. Thank you for being here today. It's great to be back in Lakeland for the twenty-second annual Sun 'n Fun EAA Fly-In.

This event brings together the 14 organizations of the general aviation coalition -- an important group of customers for the FAA.

I look forward to our discussions today, and in future general aviation coalition meetings.

Today I'd like to talk about the upturn in the general aviation industry, and how FAA personnel and acquisition reform will improve services to the community.

Before I go any further, let me introduce today's panel:

I'd also like to acknowledge FAA's partnership project with the EAA Aviation Foundation.

This successful partnership has produced the video titled: "First Flight in Your Ultralight/Lightplane."

(Hold Up) This video just made its world premier last night here at Sun 'n Fun.

Unfortunately, it was not out in time for the Academy Awards.

This joint effort offers an excellent example of how the government and the general aviation community can work together to promote both safety and fun flying.

And speaking of promoting safety -- it is our highest priority and most important endeavor. Safety is the fundamental thread running through everything FAA does.

I'm happy to report that airman attendance at safety seminars continued at its usual high levels in 1995 -- with approximately 800,000 attendees at nearly 14,000 separate seminars.

The EAA Ultralight Council has made a commitment to increasing the number of state-wide ultralight safety seminars by two each year.

Air travel has become so commonplace and accidents so rare that people take for granted that the system is essentially 100 percent risk free.

General aviation is a big part of that system. It accounts for 56 percent of the total operations at airports with FAA traffic and control services.

Fortunately, since the passage of the General Aviation Revitalization Act on August 12, 1994, we have good economic news to report.

Deliveries of general aviation aircraft in 1995 topped the 1,000 mark -- for the first time since 1990.

Piper Aircraft has emerged from bankruptcy and has plans for increasing employment and increased production schedules.

Cessna Aircraft has broken ground for its new assembly plant for the production of single-engine piston aircraft. The new facility is expected to open on July 4, 1996 with the first aircraft delivery scheduled for early 1997.

GAMA recently reported its highest number of aircraft deliveries in five years. The number of shipments were up 16.1 percent compared to 1994, and billings increased 20.6 percent to \$2.8 billion, the best since 1981.

GAMA and AOPA, working in partnership, unveiled "GA Team 2000" at the 6th Annual FAA General Aviation Forecast Conference in Tampa. This is a broad-based program to recruit and retain new pilots whose basic goal is to achieve a rate of 100,000 student starts annually by the year 2000.

We have good news to report at the FAA as well. The FY 1996 Transportation Appropriations bill, which the President signed last November, gave the FAA the authority to remake its personnel and acquisition systems.

The FAA's new acquisition management system, which became effective April 1, reduces the time and cost of acquiring systems and services, and makes our acquisition workforce highly accountable for their decisions.

Now freed of burdensome federal regulations on procurement, we at the FAA will find it far easier to keep up with all the rapid advances in technology. And general aviation will be one of the first to benefit.

The Operational and Supportability

Implementation System (OASIS) project is one of the first to incorporate all aspects of our new acquisition system.

The OASIS project will replace the existing flight service automation system with a new computer-human interface that will provide general aviation pilots with access to many improved weather services.

OASIS will integrate graphic weather displays with flight plans and routes. Pilots will be able to get information about winds aloft and see areas of current and forecast turbulence and icing conditions. OASIS will also check flight plans for route, traffic and fuel availability in order to minimize difficulties downstream.

There is one other valuable feature that will be added -- direct access. OASIS will make it possible for all users to obtain integrated flight service briefings by means of personnel computers.

OASIS will be assembled off-the-shelf from commercially available hardware and software, and will be based on an open systems architecture that can easily be upgraded as technology continues to evolve.

In the personnel area, Secretary Pena and I recently announced a program of special pay incentives to attract and keep highly-skilled air traffic controllers and technicians.

The new FAA personnel systems make our employees stakeholders in the success of their organizations.

Various incentives for good performance are offered, including gainsharing. The new personnel systems also include more flexible rules for terminating employees who are poor performers.

These reforms give us the flexibility to change as rapidly as the times will change. And they will go a long way to helping us raise our standards of aviation safety, to reach our goal of “zero accidents.”

We have many challenges yet to face. Long-term funding issues are still on the table.

But through projects like OASIS, we can implement the latest technology to better serve our customers.

The FAA's personnel and acquisition reform represents a common sense approach to Government that the American people expect and deserve.

I'm certain that I have not covered all the topics you wanted to hear about. I'll be happy to take your questions.

Thank you.

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Today I'd like to talk about the upturn in the general aviation industry, and how FAA personnel and acquisition reform will improve services to the community.

I'd also like to take this opportunity to congratulate the City of Lakeland, and Lakeland Linder Regional Airport, on its recent AIP grant for \$492,000. These funds will be used to acquire 19.4 acres for the Runway 27 Approach Protection Zone.

Before I go any further, let me introduce today's panel:

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revised 4-11-96

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TRANSPORTATION, CONCERNING THE FEDERAL AVIATION ADMINISTRATION'S FISCAL YEAR 1997 BUDGET REQUEST. APRIL 16, 1996.

Mr. Chairman and Members of the Subcommittee:

I welcome the opportunity to appear before you today on the FAA's budget request of \$8.25 billion for Fiscal Year 1997. Our proposal reflects the constrained budget environment in which we find ourselves as we proceed towards a balanced Federal budget. Importantly, though, this budget request fulfills the Administration's commitment to meeting the safety and operational needs of our air transportation system. Specifically, we are increasing staffing in several critical safety areas: 258 additional aviation safety and certification inspectors, 134 additional field maintenance technicians, and a net increase of 250 air traffic controllers to meet the increasing demands placed on the FAA by a dynamic, growing industry.

The FAA, with the support of this Subcommittee, has accomplished much this past year in which we can all take pride. We have continued to make important strides towards realizing the full promise of GPS, and the recent Presidential decision on GPS for civil application validates the work we have

underway on the Wide Area Augmentation System, or WAAS. Following several small aircraft accidents in 1994, which began an erosion of public confidence in commuter air carriers, we set out to achieve "one level of safety" for air carrier passengers, whether they flew on Part 121 or Part 135 airlines. That extraordinary regulatory effort was completed by the FAA in record time, with final rules promulgated last December. We also upgraded airline pilot training requirements at that time.

We have also made continued progress toward implementing Free Flight, an innovative plan designed to improve the safety and efficiency of the nation's airspace system by allowing pilots, under certain circumstances, to choose their own routes and file the most efficient and economical flight plans. The FAA and the aviation community will work together to phase in Free Flight over the next 10 years.

We initiated a new approach to aviation safety--setting an ultimate goal of zero accidents--and brought together over 1,000 aviation executives to work with us to identify steps that we and industry in partnership could take to help us achieve our zero accident objective. Consensus was reached that

improved data collection and sharing is key to that effort, and we and the aviation community are aggressively working to establish the appropriate framework needed to obtain and disseminate safety information.

We have also initiated CHALLENGE 2000 - a comprehensive review of the FAA's regulation and certification capabilities. This review is essential to determine what the FAA will need to do to overcome the increasing challenges of regulating the aviation industry and certifying rapidly changing technologies as America enters the 21st century.

This past year, much media attention was focused on a series of service interruptions we experienced at air traffic facilities. To address these service interruptions, we took steps to hire additional maintenance personnel and to upgrade the equipment at affected facilities as an interim measure pending the completion of the redirected and successful advanced automation system effort that is underway. These service interruptions underscored both the significant public focus that is placed on maintaining a safe and efficient air transportation system and the need to press forward with system modernization. But the intense focus on problems we were experiencing

helped mask some of the very good news that was happening. Specifically, throughout 1995, on any average workday FAA commissioned 5 to 6 new systems throughout the U.S., moving us further along in our long-standing efforts to modernize the air traffic control system. The Display Channel Complex Replacement (DCCR) is well ahead of schedule. We will begin installing this equipment at the Chicago Center in Aurora this June, 10 months ahead of schedule. Furthermore, our long-term computer modernization efforts for our air traffic control centers, Display System Replacement (DSR), is on-time and on-budget.

During the past year we have experienced several challenges to civil aviation security including potential terrorist plots uncovered by Philippine authorities and a threat by the so-called "Unabomber" to blow up an airliner coming out of Los Angeles. We have put additional measures in place to prevent or deter potential criminal or terrorist acts against the U.S. transportation system.

We have similarly made progress in virtually all FAA program areas. And we have done this while continuing to streamline and downsize. Since 1993, we have reduced FAA's workforce by ten percent or nearly 5,100 people. We

have also continued to move to put the FAA on a more business-like footing, through organizational refinements and improved strategic planning and goal setting, to help us achieve greater efficiencies and be more effective in performing our vital functions in behalf of the traveling public. Those efforts will continue.

The contributions of this Subcommittee in enacting the significant personnel and acquisitions reform provisions in the FY 1996 Appropriations Act will be instrumental in helping us do our job better. We recognize that the authority the Congress has given us to shape FAA-specific personnel and acquisitions systems is virtually unprecedented, and throughout the process of developing the new systems we have been mindful of this unique opportunity.

The new personnel system gives us needed flexibility in meeting the dynamic staffing needs associated with a complex technical workforce that must keep pace with a constantly changing industry. The new system has incorporated 100 percent of the personnel reform recommendations proposed by the Vice President in the National Performance Review back in 1993. Using this new authority, we have already acted to make expedited appointments in several

key executive level positions and are able to provide special pay incentives for controller and maintenance personnel at several critical FAA air traffic facilities. We are able to fund these incentives because of savings we are able to incur in overtime and pay differentials.

The goal for our new acquisitions system is for us to bring new systems on line in half the time we have previously experienced assuming that funds are available. We expect to reach this goal of reducing acquisition time by 50 percent within the next three years. Being able to achieve this time savings is an important benefit. It will make available the sought-after safety and efficiency benefits of new technology that much sooner. Equally important, in an era of rapidly changing technology, it means that our equipment when fielded will more nearly reflect state-of-the-art technology. We are already incorporating all aspects of the new acquisition system immediately in several current procurements that will lead the way to reform.

We are hopeful that our new personnel and acquisitions systems will serve as a model for the rest of government, showing how thousands of pages of statutory and regulatory dictates can be reduced to short, simple common-

sense documents, while continuing to preserve important principles such as appropriate competition in our contracting activities and merit selections in our personnel programs. One example of what we are already able to do is the elimination of over 155,000 position descriptions that are being replaced by only 2,000 such documents.

While the personnel and acquisitions reform you have made available to us will, over time, help us find greater efficiencies, it is not a panacea for addressing FAA's long-term resource needs. Under virtually any budget scenario, the overall effort to achieve a balanced budget can be expected to severely limit the Congress' ability to fund FAA programs, because of the extremely tight domestic discretionary caps. This is why we have been actively working to achieve financial reform for the FAA. We would urge that the Subcommittee approve our request for \$150 million in new user fees, and that, for the longer-term, the Members of the Subcommittee assist us in our efforts to obtain meaningful financial reform for the FAA. Given the importance of the FAA's work to the safety of the traveling public, as well as to supporting an industry that contributes significantly to our Nation's economic well-being, it is critical that the FAA's resource requirements be

accommodated into the future. In our view, financial reform is the only assured way of doing that.

I would like to take this opportunity to address a concern I often hear concerning accountability and management within the agency. The Secretary and I continue to share a determination to face up to tough problems and take decisive action. In many of the areas I discussed today we have faced up to long-standing problems and put in place real solutions. The Secretary and I have also selected seven outstanding individuals with superior credentials and impeccable ethical standards to manage our seven lines of business. They are with me here today. These dedicated professionals work with me daily to ensure that we are providing needed safety and services at the lowest possible cost to the American taxpayer. I hold each of these individuals accountable for the proper management of all activities and resources within their line of business. You can be assured that reports or allegations that FAA management is weak or nonresponsive, or that individuals are not held accountable for their actions are simply wrong.

In closing, Mr. Chairman, we would like to thank you and the Members of the Subcommittee for the support you have provided for the FAA, and to assure you of our willingness to work closely with you in this very demanding budgetary climate.

That completes my prepared statement. We would be pleased to respond to any questions you may have at this time.

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION
ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON SCIENCE,
SUBCOMMITTEE ON TECHNOLOGY, CONCERNING THE FAA'S 1997 R,E&D
AUTHORIZATION AND MANAGEMENT REFORM. APRIL 18, 1996

Chairwoman Morella and Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee today. With me is Dr.
George L. Donohue, Associate Administrator for Research and Acquisitions.

I would like to start by addressing the subcommittee's interest in management and
acquisition reform at the FAA. We have carefully reviewed the subcommittee's proposed
bill that addresses these issues, and we believe that the management and organizational
changes we have made over the past year, in conjunction with the new acquisition
management system that went into effect April 1, fully address all of your concerns.

We started the process of streamlining the FAA's acquisition system over a year ago. We
took this initiative because we realized we must change the way we do business to keep
pace with the needs of aviation and the rapidly changing world of technology.

We realized that to achieve any real meaningful acquisition reform, we would need relief
from stifling procurement statutes and regulations. In the meantime, we wanted to take
whatever action we could internally to get our own house in order.

We began by putting in place a new organization under Dr. Donohue's leadership that
pulls together research, prototyping, system development and acquisition activities into a

demonstrating conclusively that their programs are ready for the next stage in the acquisitions process are IPT team leaders given the green light to proceed.

Another feature of our new way of doing business is that we are getting away from the costly and time-consuming systems development approach of the past. Instead, we are moving towards COTS/NDI acquisitions--shorthand for "commercial off-the-shelf, non-developmental items"-- whenever possible, and adapting equipment and systems to meet unique FAA operational requirements, as needed.

Since beginning the acquisition streamlining effort more than a year ago, we have reduced by 50 percent the number of internal regulations and directives governing acquisition. Now, with the statutory relief provided by the Congress, we can streamline that process even further.

With the new acquisition system that went into effect on April 1, we replaced acquisition policy documents that stood more than 7 feet high with a single document of about 100 pages. Our immediate goal over the next three years is to cut acquisition costs by 20 percent and the time it takes to acquire new systems by 50 percent. We not only believe we can achieve this goal--we think we can improve on it.

Reform has not come too soon. At a time of shrinking Federal resources and growing customer demand, we must replace aging equipment and systems on a broad scale throughout the entire airspace system in the most economical way possible.

FAA approved the global positioning system as a supplemental navigation system for non-precision approaches in 1994. In 1995, it was accepted as a primary system for enroute navigation and by 2002 it will be in use for all phases of flight, including Category I precision approaches. Virtually all segments of the aviation community are heavily involved in this effort. The airlines have estimated that this new capability will reduce their operating costs world-wide by \$5 billion annually.

In the weather arena, we are developing icing forecasts with significantly improved definition of the severity and location of icing conditions. Current forecasts are very general in terms of the hazard's predicted location and may block out an area of 20 thousand square miles when the actual icing hazard occurs over an area of only a few hundred square miles.

The human factors program recently has produced an air carrier training program (the Advanced Qualification Program) that provides substantially improved training without increasing training costs. The foundation of the program is a training methodology that focuses specifically on each carrier's unique operational environment. Eight major air carriers have implemented or are in the process of implementing this new training methodology. In FY 96 and 97, the RE&D program will extend this capability to the regional air carrier community.

TALKING POINTS PREPARED FOR DAVID HINSON
Administrator, Federal Aviation Administration
National Air Transportation Association '96 Trade Show
Las Vegas, Nevada
April 23, 1996

"The FAA ... Today and Tomorrow"

■ Introduction

I appreciate the opportunity to have an ongoing conversation with you about our aviation system and the kinds of constructive changes that we all wish to see brought to it. Jim (Coyne) and I have been having these conversations for some time now. I know that through Jim and your other NATA representatives, you have been involved as well.

Jim asked me to speak to you this morning about where the FAA is today and where it's going. That covers a lot of territory, so I'll concentrate my remarks on two of your chief concerns: FAA reform and new regulatory initiatives.

I'll talk about them in that order.

■ The FAA's changing environment

The FAA is a different place *today* than it was when I arrived at the agency some 32 months ago.

- Since 1993, FAA has reduced its workforce by 10 percent, or nearly 5,100 people — most of them from the management ranks.
- The agency's annual budget has been cut by \$600 million.
- Obsolete programs like MLS have been eliminated.
- The ATC automation program, which had been plagued by delays and cost overruns, has been restructured and is back on schedule and within budget.

Since the early days of the Clinton Administration, the FAA has worked with aviation leaders and the Congress to reform the agency's rule-bound acquisition and personnel systems, and to find an acceptable solution to the agency's long-term financial needs.

Three weeks ago the first two reforms — acquisition and personnel — were put in place.

■ **The FAA's acquisition and personnel systems were institutional relics from earlier, simpler times.**

- The act that created the FAA in 1958 subjected it to the same rules and regulations that apply to every federal agency.
- In those 38 years, air travel in the United States has grown from about 50 million passengers a year to over 550 million.
- If the FAA had been a private company, it could have done some quick corporate restructuring to adapt to the realities of a changing environment. But until this past November, the agency had no authority to make meaningful change.
 - Acquiring new technology was a lengthy and complex process governed by 233 separate rules and regulations.
 - FAA's personnel system was governed by more than 1,000 pages of rules. It could take 7 months or longer to hire a new employee, and 3 months to move them from one facility to another. Managers couldn't offer incentives to employees working in the busiest facilities or in high cost areas without a special authorization from the Congress.

■ **This focus on what was wrong should not mask the agency's very real achievements**

- The United States air transportation system sets the world standard for safety and efficiency.
- On any average workday in 1995, the FAA commissioned 5 to 6 new systems throughout the Nation -- moving us further along in our efforts to modernize the air traffic control system.
- The display channel complex rehost (DCCR) to replace the aging computers at 5 of the busiest ARTCC's is 10 months ahead of schedule. Installation will begin at the Chicago Center this June.
- The display system replacement (DSR) -- the automated ATC workstation of the future -- is on-time and on-budget.
- Last month the FAA announced that we will work with the aviation community to phase in "free flight" over the next 10 years. Monte Belger, who heads up air traffic services for the FAA, and Bob Baker of American Airlines, are leading this effort.

Free flight will have important *economic* benefits. And, as our annual celebration of **Earth Day** reminds us, free flight will have significant environmental benefits as well. Fewer and shorter delays mean lower fuel costs and less fuel consumption.

- The FAA has a solid record of achievement. But it has been clear for some time that, to maintain the level of service that the industry and the public expects, the FAA needed the freedom to operate more like the best American businesses and to make common sense choices.

■ **Enabling Legislation: The FY 1996 Transportation Appropriations Bill**

Last November, Congress agreed to the Administration's request to exempt the FAA from much of the traditional government red tape:

1. The **Competition in Contracting Act** requires federal agencies to solicit *all* vendors. Exemption from this Act means that the agency can compete among firms most likely to win an award.
2. The **Brooks Act**, which requires agencies to obtain approval from GSA on acquisitions involving computers or software, no longer applies to the FAA.
3. The FAA is exempt from provisions of the **Small Business Act**. The agency now has direct access to the small business community without the additional administrative review and oversight of the Small Business Administration.
4. **Exemption from most personnel laws.** On April first, agency employees were converted from the rule-bound government-wide civil service to a new, more flexible federal aviation service.

■ **The legislation gave FAA the flexibility to develop the policies and procedures which made the best sense for its unique environment.**

- We examined best business practices.
- We sought the views of aviation trade associations and their members.
- We consulted academics, leading business executives, and other government officials.
- We convened a blue-ribbon panel on acquisition to provide outside expertise.
- On April first, FAA inaugurated the most comprehensive set of reforms in the history of the agency. We completely overhauled the acquisition system and threw out hundreds of pages of personnel regulations.

■ **The result: better, less costly acquisitions in half the time**

- Prescriptive acquisition rules have been replaced with the best business practices;
- Seven-feet of acquisition documents have been reduced to 100 pages of guidelines;
- Greater use will be made of non-developmental and commercial off-the shelf items;
- More emphasis will be placed on "market-pricing" and less on "program costs";
- Gainsharing will be established in selected programs. If employees save the FAA money on a product or service, they will get a share of the savings;
- The FAA Office of Dispute Resolution will issue binding decisions in the event of a contract protest;
- Integrated product teams are entrusted with responsibility for program planning and execution. IPT's can approve future source selections up to \$500 million. Once only the Administrator had this responsibility.

■ **Transition factors**

Changing the rules after three decades requires special training, and in some cases, new hiring. Each of the FAA's 40 product teams must learn how the new system works.

- **Three programs will take advantage of the new rules immediately**
 1. *Flight Service Stations Operational and Supportability Implementation System (OASIS)*. [Replaces and upgrades equipment and functions of the FSS automation system, which provides aviation weather and flight planning information.]
 2. *Improved Terminal Weather System (ITWS)*. [Integrates all sources of weather information for controllers in the terminal area and displays it in easy-to-understand graphic and textual format.]
 3. *Oceanic Systems*. [Provides major economic benefits to oceanic airspace users through satellite technology and advanced controller workstations.]

■ Transition timetable

- By October 1996, 15 teams will be using the new acquisition management system. [One of these early programs is WAAS.]
- By mid-1997, all 40 product teams will be using the new system.

■ The new acquisition system will reduce time and cost to the FAA and its suppliers.

- The goal is to reduce acquisition time by 50 percent within the next three years and acquisition costs by 20 percent. [Assuming current F&E funding level (\$1.8 billion) potential savings of \$360 million would be available to reinvest in new technology.]
- Lower industry's cost to bid on contracts

■ The new personnel system: the right people with the right skills in the right places

Along with acquisition reform, the legislation gave the FAA an unprecedented degree of freedom to create a new personnel system to its specifications.

- **Hiring.** The FAA can recruit and select employees without going through any other government agency.
 - Cuts outside hiring time from 7 months to 6 week.
 - Enables hiring "on-the-spot" in certain situations.
 - Reduces internal placement time from 90 days to 30 days.
- **Incentive Pay.** One day after the reforms went into effect, FAA announced a 10 percent pay increase for personnel at 7 hard to staff locations. The cost (\$8.7 million) will be offset by savings in overtime and premium pay.

[**Example:** Under the new "common sense" rules, employees will be paid overtime and premium pay only for time worked – which may reduce these payments by 15 percent.]

- **Employee "base" pay.** A corporate-style Compensation Committee will review the present pay structure and recommend revisions. This study will be completed by April 1, 1997.

- **Flexible rules.** Employees no longer have to wait a year between promotions. Qualifications, not the calendar, will determine when an employee is ready for more responsibility. In some cases, employees who volunteer to pay their own moving expenses will be allowed to do so. This was not permitted under the old rules.
- **Accountability.** Effective April 1, FAA members of the government-wide senior executive service were reassigned to a new agency-managed executive system. The FAA Administrator has sole discretion for filling these positions, and greater latitude to reward those who perform well and to quickly remove those who don't.
- **Education and training.** The FAA will become a learning organization where everyone is encouraged to develop expertise and share their knowledge.

■ **The crucial missing step: a stable source of funding**

Deputy Administrator Linda Daschle likes to compare FAA reform to a tripod. One leg is acquisition. One leg is personnel. And the third leg is funding. Without all three legs, the tripod collapses.

We are still waiting for the third crucial reform: a new and better way to finance the FAA.

■ **Aviation growth is a certainty.**

Over the next few years the FAA will be called upon to meet significant increases in the services it provides.

- By the year 2002 — six years from now — the number of people using America's airports will grow by 35 percent.
- The number of planes in our skies will grow by 18 percent.
- General aviation activity in the IFR environment will grow by 7 percent.
- We welcome this growth, but it comes at a time when America is demanding a balanced budget.

■ **A smaller federal budget is a certainty.**

- The Congress and the President still disagree on the details of balancing the budget. But the debate on when to balance it is over.
- By 2002, America will put its fiscal house in order through hundreds of billions of dollars in cuts, continuing reductions in the federal workforce, and the termination of many federal programs.

■ **The Aviation Trust Fund is an uncertain source of revenue.**

- The present budgetary stand-off has led to the total suspension of the aviation trust fund taxes. [And many other taxes, government-wide.]
- Since January 1, the trust fund has been losing nearly \$16 million a day. As of today, the total loss is approximately \$1.8 billion.
- In FY 1996, 70 percent (\$5.7 billion) of the FAA's annual budget comes from the trust fund. The rest (\$2.4 billion) comes from the general treasury. Unless there is a temporary extension, the trust fund surplus will be eliminated by mid-December. Once the funds are drawn down, there will be no money in the bank to help finance our Fiscal Year 1997 budget.

[This concern has been raised with the appropriate committees on several occasions.]

■ **The balanced budget shortfall**

- FAA projects that from FY 1996 through 2002, we will need \$59.3 billion to maintain today's level of service, accommodate new growth, and continue to modernize and improve our airports and air traffic infrastructure.
- Based on the spending assumptions agreed to by the Congress to achieve a balanced budget, we estimated a shortfall of \$12 billion

■ **Aviation is a dynamic environment.**

- Five years ago, GPS was virtually unknown outside the Department of Defense. Today it's available throughout our airspace and is fast becoming a national utility.
- Four years ago, the airlines were facing their biggest losses in history. Today, they are earning their biggest profits.
- How many of us wish we had bought stock in Value Jet two years?
- None of us can predict what Congress will do this year — let alone in seven years.
- The \$12 billion dollar shortfall which we estimated last year will surely change as we move closer to 2002.

Even if we are wrong by half, we will still be \$6 billion short.

■ **Competition for diminishing discretionary funds will intensify**

Entitlements and interest on the national debt consume most of the federal budget. The Bipartisan Commission on Entitlements and Tax Reform projected that, by the year 2012, projected outlays for entitlements and interest on the debt will consume all the tax revenues collected by the federal government unless changes are made.

■ **The FAA will not be exempt from the pressures on the federal budget.**

- It's clear that our current funding sources can no longer be counted on to provide the stable source of funding we need to meet the demands of a growing industry.
- We have two options: the passenger ticket tax or fees for services.

■ **The McCain/Ford/Hollings Bill offers the best solution:**

- The bipartisan bill sponsored by Senators McCain, Ford, and Hollings would move the FAA from a tax-based system to a user fee system.
- Fees for services would require those who use our services, but pay nothing for them, to pay their fair share.
 - The FAA conducts, free of charge, several thousand airspace studies of proposed new real estate developments around airports. The McCain/Ford bill would have real estate developers pay for these services.
 - International airlines operate thousands of flights over the United States using our ATC system, but are not required to help defray the cost. Under the McCain bill, they will.
 - Certifying a large airplane requires thousands of hours of work by FAA engineers and inspectors. For example, the FAA spent in excess of 100,000 employee-hours on the certification of the Boeing 777. Manufacturers pay nothing for these services, but stand to earn billions in the sale of the aircraft. The McCain/Ford bill would require manufacturers to reimburse the FAA for these services.
- The vast majority of FAA's budget would be "off budget." Unlike taxes, every dollar raised can bypass budget committees, appropriation cutbacks, and the 19-month budget cycle.
- A new industry management board would give users a greater say on how FAA spends its dollars.

- When it's clear that the current financing system no longer works, it's time to get a new one. We have reached that point.

■ New Rulemaking Initiatives

Before I take your questions, I'd like to comment on another matter that always causes a certain amount of anxiety: regulation and red tape.

I know from my own experiences that *unneeded* regulations can create an unnecessary burden on small businesses struggling to survive.

I also know, from experience, that federal regulation has been essential to creating public confidence in air safety. Whatever line of the aviation business we're in, safety is not only good for business -- it's essential.

■ The process does not have to be, and should not be, onerous.

- We try hard to assess how each proposed rule will affect the industry and the public. Your feedback during the comment period is a crucial part of this assessment.
- You asked for more time to review the proposed rule on flight crewmember duty and rest time. We extended the comment period by 90 days. The new closing date is June 19.
- While the commuter safety rule was open for comment, we received many thoughtful letters from small on-demand operators, who feared we might expand the requirements to their operations. You gave us solid reasons why we shouldn't do this. As long as safety is maintained, we don't plan to.
- No one at the FAA wants you to lose your business.

■ When new rules are required, we should develop them together, if possible.

- Since I arrived at the agency, we have eliminated 13 percent of FAA regulations and substantially revised 37 percent.
- We've expanded the use of the Aviation Rulemaking Advisory Committee, particularly for rules that require detailed knowledge of the users costs and environment.

Until he moved to Alaska, Joe Sprague of NATA chaired the ARAC working group studying the single engine IFR authorization issue. No one is satisfied with the outcome on this yet. We are now reviewing the ARAC recommendations and petitions for exemptions to provide a single-engine IFR rule.

- Nine months ago, I asked one of the nation's leading management consulting firms, Bozo-Allen & Hamilton, to conduct a through review of our regulatory process and to recommend how it could be improved. That report is on my desk and I'll have an announcement about it soon.

■ Conclusion

Government regulation is about finding an acceptable balance. We will continue to work with you to improve our cost estimates. But there will never be methodology that everyone accepts without question or challenge. It ultimately comes down to common sense, sound judgment, and adaptability.

No decision is forever. No position is perpetual. Situations change and so must our ideas of how aviation and the public interest are best served by regulation.

This is an uncertain time for all of us.

There's not much point in digging in our heels if the ground beneath us is being washed away.

Our priority right now must be to find enough common ground on which to build a secure future.

[Thank you. At this time, I will be happy to listen to your comments and answer your questions.]

REMARKS BY DAVID HINSON
FAA ADMINISTRATOR
1996 ASIA-PACIFIC AVIATION SYMPOSIUM
LOS ANGELES, CALIFORNIA
APRIL 23, 1996

"Airport Capacity Challenges and Government Cooperation"

■ **Introduction: The FAA values its many associations with Asian counterparts.**

It is a great pleasure to welcome all of you to this year's Asia-Pacific Aviation Symposium.

Most of us are old friends and colleagues who cross paths several times a year. The adage that aviation shrinks the globe is certainly true for us. It's a small world for those in civil aviation, and the FAA values its many associations with you.

The FAA has technical assistance agreements with most of the countries represented here today. We are working with 21 Asian countries under 24 existing agreements. Six more are pending.

■ **The convergence of cooperation and coordination.**

There has already been a great deal of collaboration in trying to solve problems unique to each country's aviation system. In the future, I believe that we will be collaborating, more and more, on problems that are common to us all.

This convergence of cooperation and coordination is what I would like to talk about today.

■ **Cooperation has improved aviation safety**

No problem has a higher priority than safety, and everyone here this morning can claim credit for measurable success. We have all been working together, and this cooperation has made a significant difference.

China's scheduled air carriers ended 1995 without a single fatal accident -- an impressive turnaround.

Worldwide, there was a 25 percent drop in the number of passenger deaths on scheduled airlines, according to ICAO.¹

¹ Aviation Daily, 2/29/96: "ICAO reports decline in airline accident fatalities."

That decrease in fatalities was achieved even though there was a 5 percent growth in passenger traffic for the year.

■ **Reducing the accident rate is a race against time.**

We're headed in the right direction. But we are in a race against time. We know there are huge gains ahead in passenger traffic. ACI suggests that if last year's pace continues, passenger traffic could double in 12 years.²

Unless we succeed in further reducing the *rate* of accidents, the *number* of accidents will escalate along with the expected growth in air travel.

This is a race against time where failure is not an option. For failure would gravely undermine public confidence in the safety of air travel and threaten the growth prospects of the aviation industry.

■ **Another race: to expand capacity to keep pace with growth**

We are in another race where the consequences of failure are just as serious.

The growth of air travel is already straining the capacity of our air space and major airports. Serious congestion will not only impair the financial strength of airlines, but weaken regional and even national economies.

As with safety, we have made some important progress during the past year.

■ **Progress toward deployment of FANS: India, Japan, China**

The Airports Authority of India has taken a major step in advancing satellite-based air traffic control systems. The initial installation at Calcutta will make it possible to open new routes across the Bay of Bengal, which is becoming increasingly congested with heavy traffic between Europe and Asia.

The Japan Civil Aviation Bureau and the FAA are working together to introduce Oceanic Data Link and Automatic Dependent Surveillance in the Pacific and to open new northern routes.

Meanwhile, studies continue in China on the modernization of that nation's aviation infrastructure. A recent cost-benefit analysis projected that a satellite-based air traffic management system would provide twice the capacity of ground-based systems and save up to 4.4 billion dollars over 20 years.

² Airports Council International press release, 3/4/96: "Passenger traffic up 5%, cargo up 6% at world's airports in 1995."

■ President Clinton's decision on GPS: the strongest possible assurance

The more rapid realization of the FANS concept will be one outcome of President Clinton's important decision, announced late last month about the future of GPS.

The United States has promised to make GPS continuously available worldwide without charge for the foreseeable future. Furthermore, the current practice of degrading the accuracy for non-military users is scheduled to end, making a uniform signal available to all.

This decision, announced at the White House on March 29th, is the strongest possible assurance of long-term access to GPS for every type of civilian use. It underscores that GPS is already, in fact, a global utility. Like the Internet, it is becoming an integral part of the worldwide information infrastructure -- with applications ranging from mapping and surveying to all modes of transportation.

But no application is likely to have greater economic impact than its use in aviation. The recent successful trials of automatic dependent surveillance over the South Pacific demonstrates just how important GPS will be in improving safety and efficiency on oceanic routes.

GPS is also playing a major role in a new FAA program which will gradually allow pilots to choose their own routes and file the most efficient and economical flight plans. The plan, which we call "free flight" could reduce the duration of some flights by as much as 20 percent and save U.S. carriers as much as \$5 billion a year by the year 2010.

Free flight will have important *economic* benefits. And, as our annual celebration of **Earth Day** reminds us, it will have *environmental* benefits as well: fewer and shorter delays mean lower fuel costs and less fuel consumption.

This has been a year in which we have moved closer to our goal of a globally compatible space-based air traffic management system.

■ Airports are symbols of economic dynamism and competitiveness

But the projects with the highest profiles during the year have been the new airports. Denver and Kansai are both living up to expectations, even exceeding them. And the world aviation community has been anticipating the completion of the new airports at Hong Kong, Kuala Lumpur, Bangkok, Macau, and Seoul.

These airports have become symbols of the economic dynamism of Asia.

The important role of airports in national economic policy is indicated by the number of ambitious long-range plans for airport expansion which we find throughout the Asia/Pacific region.

Japan's Five Year Development Plan, now in its seventh iteration, is a prime example of a coordinated effort to prepare for the expected future growth.

According to one estimate, the capacity of the three major airports at Tokyo, Nagoya, and Osaka must be expanded 1.6 times more than it is now to meet the demands of domestic traffic. Capacity must be expanded 2.7 times to handle the growth in international passengers. All within the next decade and a half.

Such expansion will be costly, but it will also be a boon to the economy -- adding annual revenues of almost four trillion yen.³ Airports are where we can see at work the dynamic interaction between economic input and output.

As two Australian observers concluded from their study of this region's airport development:--✂The airport is perhaps the most important single piece of infrastructure in the battle between cities and nations for the benefits of growth✂⁴

■ Growth is not a zero sum game.

It is true that aviation is highly competitive. But the battle for growth is not a zero-sum game. Aviation is a globally integrated enterprise in which the benefits of growth are widely shared. Capacity is the key to that growth, and a lagging expansion anywhere can be a deterrent to growth everywhere.

We all realize how essential it is to build new airports and enlarge old ones. But we also realize that these are long-term projects that require vast expenditures. Unfortunately, time is short and money is increasingly scarce.

This challenge is a global one. It is confronting civil aviation officials and airport executives everywhere in the world. As critically important as aviation is to our economies, all of us are competing with other strong claimants for financial backing.

■ The era of mega-projects, all competing for financial backing

We are well into an era of giant building projects -- unprecedented in history. Altogether, there are about 15 hundred large-scale industrial and infrastructure projects

³"How Airports Should Be Improved -- A Demand for Drafting an Improvement Plan with Emphasis on Large Scale Airports," Keidanren (Japan Federation of Economic Organizations), May 16, 1995.

⁴Kevin O'Connor and Ann Scott, "Airline Services and Metropolitan Areas in the Asia-Pacific Region 1970," cited by Brent Hannon, "Gateways to Growth," Asia, Inc. (November, 1995).

of all-kinds -- typically involving investments of more than one billion dollars. A third are still in the conceptual or planning stage. A third are pending the availability of financing. And a third are actually under construction.⁵

Asian countries alone will spend over one trillion U.S. dollars on infrastructure projects by the year 2000. One of the driving forces is the inexorable growth in population.

During the next twenty years, there will be seven Asian cities with populations in excess of 20 million inhabitants. These mega-cities will require massive investments to deal with the problems of pollution, traffic congestion, housing and employment.⁶

■ Growing populations, rising standards of living

The positive aspect of these projections is that for the next twenty years, world income is expected to grow at a faster rate than world population. By the year 2000, more than a billion people in Asia will have achieved middle class status.⁷

With 60 percent of the world's productivity and 50 percent of its population concentrated around the Pacific Rim, air transportation -- for both passengers and cargo -- will become a major economic force in the region.

■ Asian airport construction in the era of mega projects

Airports -- most notably the new Asian airports -- are especially prominent on the list of 15 hundred super projects. Over the next two decades, Asia will spend about \$150 billion on new or upgraded airports. But it has been estimated that the region needs an investment of at least \$200 billion if the rise in air traffic is not to outpace expansion.

Based on some current forecasts, nearly half the international airports in Asia will be unable to cope with demand at the busiest times of the day, and there is concern that most of the new airport projects will have little room for future growth. Some observers have warned that adding capacity will become increasingly difficult -- partly for environmental reasons, and partly because of capital shortages.⁸

Asia is not alone in this predicament.

■ The need for innovative approaches to capital acquisition

⁵ McKinley Conway, "Super Projects: Rebuilding and Improving Our Planet," The Futurist (March-April, 1996).

⁶ Lecture by Chris Patten, governor of Hong Kong, to the Bank of England, abridged by the Financial Times, 4/11/96.

⁷ Personal income in China will show gains of 7 percent a year for the next decade, according to an economist at J.P. Morgan. Wall Street Journal, 4/15/96.

⁸ John Meredith, Air Transport Action Group (Geneva), quoted in the Financial Times, 9/25/95.

Everywhere in the world, our projects to renew and expand aviation infrastructure must compete for government funds against many other public needs with priorities often as urgent as our own.

With governments limited in what they can invest, the private capital markets are being called upon to play an ever greater role. But there are also limits to what the private sector can do on its own.

The European experience with Eurotunnel has shown that while global capital markets were large enough to build the tunnel, the need for a quick return on investment meant that the economics didn't work out once operations had begun.

Similarly, the high landing fees at Kansai has been attributed, in part, to the fact that 70 percent of construction costs were financed by interest-paying loans.⁹

Clearly, neither private investors nor governments can shoulder the entire responsibility. We must find a balanced formula which allows an optimum mix of public and private funds.

■ Modernization of older airports: LAX and international travel

Let me take a few minutes to tell you about our progress in modernizing two of the major airports in the United States, and then give you some background on the way we finance such improvements now -- and how we may be financing them in the future.

Last month, we dedicated a new tower facility at Los Angeles International. If you didn't notice it on your arrival, remember to see it when you leave. It's very visible evidence to our determination to fight the obsolescence of even our oldest airports.

Los Angeles is now the fourth largest airport in the world. We expect it will retain that rank in the year 2010, becoming an even more important international gateway than it is today.

This year, about 6.7 million passengers were on international flights to and from LAX. By 2007, a decade from now, that number will grow to 12 million each year.¹⁰ That is roughly equivalent to the total enplanements this year at such busy U.S. airports as Boston Logan, Minneapolis or Honolulu. Much of that increase will come from the growth of aviation around the Pacific Rim.

⁹"How Airports Should Be Improved," Keidanren (Japan Federation of Economic Organizations), May 16, 1995, page 3.

¹⁰Based on an annual rate of 5.3 percent. Last year, the actual change for LAX was +5.7%.

Los Angeles will still be number four in the world. But there will be a change at the very top, if our forecast is accurate.

■ **Expansion at newer airports: the future of Dallas/Fort Worth International**

In the year 2000, Dallas/Fort Worth will take over the number one spot from Chicago's O'Hare. Before 2005, it will become the first airport to handle more than one million operations a year. By 2010, the traffic will double what it is today. And like LAX, much of the growth is in international traffic, with a strong Asian component. Over the past year, cargo shipments by Korean Air increased by 792 percent. Korean Air's passenger traffic grew by 947 percent.¹¹

The growth of Dallas/Fort Worth has been very rapid. It opened to traffic just 21 years ago, and has been expanding ever since.

The airport has six runways, two of which are being extended. We are building a seventh and have approved an eighth. It will be the first airport anywhere to offer four simultaneous approaches and takeoffs under instrument conditions.

We have built a 21st century airport with the capacity to accommodate -- with safety and efficiency -- a level of growth that could stagger a less modern facility.

■ **Expanding airport capacity through technology and innovations in ATC**

This fall we will implement the Dallas/Fort Worth Metroplex Air Traffic System Plan that will increase capacity in the area by 75 percent and boost national airspace capacity by 15 percent. It is a major improvement, yet it cost only 166 million dollars, excluding the cost of the new runways.

That's a bargain compared to most large airport infrastructure projects. And it illustrates how new technology and innovative air traffic procedures can be used to get significantly more productivity out of an airport which is already one of the busiest in the world. This approach becomes increasingly important as new airports become more difficult and expensive to build.

■ **How the U.S. pays for airport improvements**

The total amount spent throughout the U.S. on airport improvements from 1985 to 1994 was 56.4 billion dollars. More than half went to large hubs like Dallas/Fort Worth and LAX.

¹¹ 1995 Annual Activity Report, Marketing Department, Dallas/Fort Worth International Airport.

Traditionally, the federal treasury has provided about one-quarter to one-third of the funding for capital investment in airport infrastructure. Local taxes, bonds, and — in recent years — passenger facility charges, have provided much of the rest.

■ Passenger facility charges become increasingly important

Passenger facility charges, or PFCs, are collected from individual passengers by the airport authorities, once they receive approval from the FAA. PFCs began in 1990 and now account for nearly one billion dollars annually. As the federal government continues to reduce its direct support to airports, the PFCs are becoming increasingly important.

■ The advent of PFC backed bonds

One factor in enhancing their role is a recent decision by bond rating firms to award an investment grade rating to PFC-backed bond issues. The decision applied only to O'Hare Airport, in Chicago, but it will have far-reaching implications.

Up till now, PFCs were not considered sufficiently secure as a source of revenue, in part because it was feared that the FAA might arbitrarily revoke an airport's right to collect them. We have worked to gain the confidence of the investment community, so that airports can be permitted to leverage their PFC revenues.

Following the O'Hare precedent, it is much more likely that other airports will be able to use PFC-backed bonds in the future to finance their capital requirements and to pay off debt. It's a sophisticated way to multiply this money. Maybe you've heard the American slang expression — "to get more bang for the buck."

■ The coming global market for ideas on financing: the role of the Asia-Pacific Symposium

I have discussed the use of PFCs because I believe this is typical of the innovative financing that will become increasingly common in the future — as government revenues are no longer adequate to meet the enormous demands for public spending.

To pay for the continuous expansion of airport capacity, we will have to become more and more resourceful in attracting private capital.¹²

As the capital markets become globally integrated, solutions which work in one situation may be applicable in others. It will be to our advantage to share ideas and devise common strategies.

¹² "China's challenge is to channel [its savings, accumulating at a 40% rate] into the economy, where it can fuel growth and finance badly needed infrastructure investment," *Wall Street Journal*, 4/15/96.

The Asia-Pacific Symposium offers a valuable forum for such exchanges. I know that I and my colleagues from the FAA look forward to hearing about your experiences with these issues.

■ Conclusion

Fifty years ago -- in 1946 -- a pilot from Texas, Roy Farrell, bought a second-hand Douglas C47 transport for 30 thousand dollars. He named it "Betsy," loaded a cargo of morning coats and toothbrushes, then flew from New York to Shanghai. That was the beginning of Cathay Pacific Airlines.¹³

At first the flow of trade was one sided. Planes left full but often returned empty. Nevertheless, Roy Farrell and many others like him helped build the foundations for the economic future of Asia.

Trade imbalances can be lucrative in the short run. Eventually, however, world prosperity depends on a more even balance -- not only in products, but in ideas and technology, and especially in the flow of capital.

For a profitable run, our planes need to carry cargo in both directions.

In the exchange of ideas which will take place here in Los Angeles over the next two days, I hope we can achieve a beneficial balance between what we have to give and what we hope to gain.

¹³The European, 2/4/96.

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS, SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT AND THE DISTRICT OF COLUMBIA, CONCERNING THE FEDERAL AVIATION ADMINISTRATION'S AVIATION SAFETY INSPECTOR PROGRAM. APRIL 30, 1996.

Mr. Chairman and Members of the Subcommittee:

I welcome the opportunity to appear before you today to discuss the FAA's aviation safety inspector program. With me today are Mr. Tony Broderick, Associate Administrator for Regulation and Certification, and Mr. Thomas Accardi, Director of Flight Standards.

FAA has traditionally viewed the surveillance of the aviation industry conducted by our aviation safety inspectors as a vital means of assuring that our safety standards and requirements are being met and of developing information about potential safety problems before they result in tragedy. Our aviation safety inspectors are the foundation of our certification and surveillance system, and on a day-to-day basis do an outstanding job of overseeing industry activities throughout the country and, indeed, the world. Our surveillance programs, as well as our underlying regulatory standards, serve as the world's aviation safety model. In fact, *Flight International Magazine* recently selected the FAA's foreign air carrier safety program to receive special honors for its contribution to air safety. The International Civil Aviation Organization is also exploring the adoption of a program such as ours to assess and upgrade aviation safety throughout the world.

Nevertheless, I think it is important to stress that there are clearly opportunities to improve our inspection programs, and we are continuously taking steps to do just that.

Over the past decade and-a-half, the way FAA conducts its surveillance activities has undergone a radical transformation to improve its effectiveness. We have moved from a diffused system, with little central direction, management, and oversight, to a much more programmed, centrally focused, and targeted approach to conducting surveillance.

Today's system is far improved over yesterday's, but we are the first to acknowledge that it can continue to be made better, for example, by taking steps to upgrade training opportunities for our inspector workforce and by continuing to refine how we target our resources to particular airlines or activities where the greatest safety dividends can be achieved. And, as I will describe, we are taking those steps. Let me take a few moments now to briefly share with you how today's program has evolved and our plans for the future.

Because of its critical role in promoting aviation safety, the FAA's surveillance program has not only occupied the agency's attention and interest, but has been carefully monitored by the Congress and others over the years. The program we have in place has benefited much as a result of our having implemented many of the recommendations we have received.

Starting in the mid-1980's, the FAA undertook a top-to-bottom reevaluation of its surveillance program, leading to substantial changes in direction. One of the problems highlighted at that time was the failure of inspector staffing to keep pace with the increased demands that had been placed on our workforce by industry growth and change. As a result, between 1983 and 1995, inspector staffing nearly doubled, and, in view of continued needs, we are requesting an additional 154 Flight Standards aviation safety inspectors in our FY 97 budget request. Early on, the agency recognized that recruiting, training, equipping, and effectively managing and using a significantly expanded workforce required a tremendous amount of planning and effort. The result was a completely revamped inspection program, which continues to be built on today.

Changes were made so that the program was managed at the national level with much more clearly defined objectives and goals. Nearly 2,000 pages of detailed instructional guidance material were developed and made available to all inspectors. For the first time, national program guidelines (NPG) were developed to provide central direction and define the numbers and types of inspections to be conducted throughout the world. Regional offices and field offices supplement these nationally programmed inspections with their own planned discretionary inspections based upon local knowledge and situations. This has provided for a more consistent and balanced approach to inspection activities.

In addition, FAA began conducting in-depth, independent safety reviews of certificate holders with teams of inspectors from outside the normal inspecting office. These reviews help provide balance to the oversight program, and offer a very detailed look at a particular operator's programs. These comprehensive inspections are called NASIPs and RASIPs--shorthand for national or regional aviation safety inspection programs. They are triggered when indicators such as inspection results, enforcement records, accident/incident reports, financial conditions, rapid expansion or mergers, or other factors warrant. They also provide a basis at the policy level to designate certain areas of industry for a detailed review in a particular year. For example, last year all 138 air carriers operating aircraft in scheduled service with 10 or more passenger seats received a special review.

Another fundamental change in approach was to move away from a paper-oriented system and to modernize the way we collected, compiled, and disseminated safety-related information developed during the several hundred thousand inspections we conduct each year. To meet this need, FAA developed more sophisticated automation tools, such as the Work Program Management System (WPMS) in the mid to late 1980's and its successor the Program Tracking and Reporting Subsystem (PTRS). The PTRS system has continued to improve since its introduction, and it enables us to assign inspection activities, derived from aviation environmental data bases, to field offices and inspectors. In addition, it provides our inspector workforce and management with information on certification, inspections, and other work activities completed by our field offices.

It is important to recognize the magnitude of the aviation industry and the corresponding amount of data we develop in monitoring that industry. Our safety inspectors conduct more than 365,000 surveillance activities each year. A large airline may be inspected several times a day by inspectors in diverse parts of the country, and the nature of those inspections will differ. A tremendous amount of data is developed from inspections nationwide throughout each year. Inspectors need rapid analytical tools to access that information to develop data to target their surveillance activities toward areas presenting potential safety risk. Management also has a need for that type of information in order to direct limited resources where and when they are most needed and to assure that potential adverse safety trends are addressed. To help meet this need, we have been working to develop the Safety Performance Analysis System, called SPAS. SPAS is a computer based software system that provides current and historical analysis capabilities. It will provide us with virtually real-time, graphical and tabular summaries to help us continuously reprioritize our surveillance efforts to areas that may present a safety risk. No other aviation safety agency in the world either develops the extent of data that we do, nor has developed a system with anything like the capabilities and sophistication of SPAS. Many of our counterparts throughout the world have expressed an avid interest in working with us and ultimately sharing data for integration as the system evolves.

We expect that SPAS will acquire and analyze data from more than 20 FAA and non-FAA data bases, automatically flagging potential problems to us for our review and

analysis. Using carefully developed performance measures, SPAS is able to rapidly track performance of air carriers and air agencies, providing comparisons in various areas of performance against related industry norms, thereby bringing critical information directly to an inspector's attention for further review and action. SPAS is able to deliver in a matter of minutes information that used to take weeks or months to develop if it was ever produced. Thus, SPAS will not only increase inspector productivity, but will permit a much greater perspective and understanding of the aviation industry and what inspection and related data is telling us.

In July 1995, SPAS software entered the operation test phase using the functionality of Microsoft's Windows '95 program. It was installed for 180 Flight Standards users who are participating in the operational test. Tests will continue until 1997 when we plan to begin installation of a revised version of the system based upon inspector feedback from the test.

Another significant improvement that will begin formal field-testing next month is the On-Line Aviation Safety Inspection System (OASIS). OASIS is a suite of productivity tools hosted on a laptop computer that can be carried into the field by an inspector. The system has the capability to instantly provide on-line reference to thousands of pages of inspector reference documents all linked through hyper-text links. Documents such as the Federal Aviation Regulations, Advisory Circulars and inspector handbooks as well as specific safety airworthiness directives are all easily accessible, providing the latest safety

information appropriate to a given inspection, contributing to improved inspection quality and standardization. The system also includes all of the forms required to complete any inspection activity and the "intelligent forms" ensure that the proper data is gathered for the inspection being conducted while assuring that accurate data is entered in the inspector's report.

Our safety inspectors have played an integral role in the development of both OASIS and SPAS. The performance measures used by SPAS were developed with substantial input from the inspector community, who served as the principal members of the expert panel working groups. Through their contributions, SPAS is continuously being refined as it is developed in order to best serve the needs of our inspector workforce and an effective surveillance program. OASIS was designed by our safety inspectors as well as the FAA's Office of Aviation Medicine. There has been and will continue to be extensive use of human factors analysis throughout the development of OASIS in order to maximize the system's usefulness to our inspectors.

As we have developed our automated systems we are continuing to improve overall system **quality**, which involves both product and process. Early in the development of the SPAS system we utilized our Technical Center in Atlantic City to develop data quality measurement tools to diagnose and improve the data consistency in the PTRS system. Critical SPAS data elements were evaluated and determinations were made about data quality requirements on an item-by-item basis depending on the application of

the information. Overall consistency was determined to be at 85%, which was adequate for data pertaining to large air carriers. In June 1994, we contracted with Sandia National Laboratories to conduct independent Verification and Validation and Analysis activities as we continued to develop our SPAS system. They continue to support our approach of parallel development of information systems and modifications to the underlying databases. The continued use of data provides immediate feedback on its overall quality and promotes its continued improvement. We are also very proud of the initiative taken by some of our field inspectors to improve data quality. One particular inspector spent his own personal time developing a data quality improvement tool for use within the Flight Standards District Office. The system checks the main data base using a system of queries and routines to determine if all required fields have been completed prior to sending any data to the national system. The use of this system results in measurable data quality improvements and is being tested in 19 district offices. Finally, we concurred with the GAO recommendation on the need to develop a comprehensive and coordinated strategy to deal with data quality. We have worked with the Research Triangle Institute as well as Sandia National Laboratories over the past 6 months and expect to deliver such a document next month, which will assist us in continuing to improve our program.

SPAS and OASIS are important tools that will help us continue to improve our surveillance program. As important as these advancements are, though, they do not substitute for or supplant the need for well trained, highly motivated inspectors, whose on-site presence and professional judgment are key to our surveillance efforts.

Several years ago, our own studies and GAO reports indicated that our field inspector training was not properly prioritized. In addition, GAO believed that FAA was unnecessarily paying for training that was not essential. In response to these studies and GAO recommendations, FAA revamped its technical training program and developed the Operational Training Needs Assessment Program (OTNA). OTNA is a process to assess the critical training needs for the inspector workforce. It is designed to ensure that all safety inspectors receive the training they need based upon the work they are assigned to. By prioritizing training needs in this way, FAA can seek the funding necessary to meet the training required for the agency to perform its day-to-day operational functions, while balancing that with the high costs associated with many technical training activities, particularly flight training.

Flight Standards has applied the OTNA process for the past three fiscal years and has successfully reduced the amount of funding required for training. However, we now believe that providing only operationally essential training, as it has been defined, has not provided us the depth we would like in the inspector work force, nor has it resulted in the opportunity to continue to keep pace with rapidly advancing technology. In hindsight, we believe that we defined operationally essential training too narrowly. Therefore, the OTNA process is being adjusted and the definition of operationally essential training will be redefined to provide additional training needed to ensure that the agency has a sufficient number of qualified personnel on-hand at all times to step-in and conduct

various functions when unexpected turnover, emergencies, or other sudden and dramatic short-term increases in workload occur.

Recently, we have also been implementing more cost-efficient ways of delivering training to our inspectors. Computer-based instructional training (CBI) is one method of delivering training that will help us accomplish our training goals at lower cost. Every Flight Standards District Office has a platform in place for CBI training to take place. Last year we installed a CBI Helpline to answer questions on this training from our inspectors, and to help them obtain course material. We are also developing a new course catalog for our inspector workforce. We plan to place this information on the internet. That way, the catalog can be updated instantly and an inspector accessing the system will be able to communicate with the FAA Academy by e-mail.

I would like to briefly touch on several other initiatives I believe will help shape our future surveillance program. Last August, FAA and the Professional Airways System Specialists (PASS), who represent our inspectors, established a cooperative alliance called Partnership for Safety (PFS). PFS is a new way of conducting business and making decisions that affect Flight Standard employees. The partnership is an alternative to traditional labor/management relations, and is ideally suited to identifying and resolving problems at the local, field office level. We will continue to work together to provide our inspectors with the tools and training they need to remain effective in our rapidly changing aviation industry.

We are also reaching out to industry in an effort to develop constructive partnerships that will enhance safety. Last year, Secretary Peña and I hosted a 2 day airline summit on aviation safety. The conference, which was attended by over 1,000 airline executives, pilots, maintenance personnel, and FAA safety personnel, was held both to reinforce to key aviation personnel our commitment to safety and to develop new approaches for enhancing safety. Subsequently, we held a follow-up conference. Out of these efforts we will continue to work to identify ways in which to improve on existing safety programs.

Also, in order to assure myself that the agency is adequately prepared for the future, we have been undertaking a top-to-bottom review of our regulation and certification program. Technological changes and industry growth require that we assess, and as need be rethink, how we do business. This effort will help focus us on what we need to do to meet the challenges of the 21st Century and to progress toward our goal of zero accidents.

Before closing Mr. Chairman, let me respond to your expressed interest in barriers that preclude the FAA from accomplishing its oversight of the aviation industry. I would be remiss in my duties as Administrator if I did not address what I see as the greatest impediment to the agency in continuing to fulfill its vital functions, including the effective safety oversight of the air transportation industry. Simply stated, the FAA faces a vastly expanded workload while overall Federal funding available will decrease dramatically as we work towards a balanced budget. As I have said many times recently,

in order to protect the public's interest in safe and efficient air travel, and to continue to facilitate commerce and the growth of industry, we must act now to find a stable, predictable source of funding for the FAA.

By 2002, the number of commercial aircraft operations will grow by approximately 18%. This growth will significantly increase the demands on the FAA's surveillance workforce, even as we seek to find added efficiencies and productivity improvements. Virtually every segment and activity in aviation will grow correspondingly, placing similar demands on FAA's safety and operational programs across-the-board.

I, therefore, would urge the Members of this Subcommittee to assist the FAA in its efforts to obtain meaningful financial reform. Given the importance of the FAA's work to the safety of the traveling public, as well as to supporting an industry that contributes significantly to our Nation's economic well-being, it is critical that the FAA's resource requirements be accommodated into the future, and financial reform is the only assured way of doing that. In that regard, I would like to note the Administration's strong support for the financial reform that would result from enacting the type of user fee financing contained in S. 1239, the "Air Traffic Management System Performance Act," sponsored by Senators McCain, Ford and Hollings.

In my view, the most important work that the Members of this Subcommittee can do to benefit the safety of the traveling public is to help us ensure that we continue to have the

resources needed to fulfill our obligations to the traveling public. I would welcome the opportunity to meet personally with any Member of this Subcommittee to discuss in detail the need for financial reform or to discuss this critical issue further today.

That concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you or Members of the Subcommittee may have at this time.