PREPARED FOR DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
BOEING 777 UNVEILING CEREMONY
EVERETT, WASHINGTON
APRIL 8, 1994

On behalf of all of us at the Federal Aviation Administration, I'd like to congratulate Boeing for the remarkable event which we are celebrating today.

I don't believe that there is any intellectual or technical achievement as dramatic as a new airplane. It can still inspire awe. Especially one as bold in concept as the 777.

But the achievement of Boeing encompasses more than its engineering brilliance and manufacturing innovation.

The company itself has been retooled, discarding procedures and work practices -- some of which dated from the 1940s -- in a bold bid to assure U.S. leadership in an industry which is being recast by intense global competition.

The 777 stands as a symbol of Boeing's courageous investment ... not just in advanced aviation technology ... but in a new way of doing business ... one geared for the economic realities of the next century.

The FAA fully supports this effort -- speeding along the inspection and approval process where we can, consistent with our responsibilities for aviation safety. And, perhaps just as important, by seeking to eliminate or reduce needless regulatory burdens.

But the unveiling of the new Boeing 777 reveals more than a showpiece of American aircraft design. It displays a new, more productive relationship between the federal government and this vital American industry.

We at the FAA share your pride in this great moment of achievement. For, we -- perhaps more than anyone else outside the company -- can understand the full magnitude of what you have accomplished.

I thank you very much for inviting me here. And I wish you blue skies and happy landings in this and in all your ventures in the months and years ahead.

Thank you.

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REMARKS PREPARED FOR DELIVERY BY FAA ADMINISTRATOR DAVID R. HINSON GROUNDBREAKING CEREMONY AIR TRAFFIC CONTROL TOWER KANSAS CITY INTERNATIONAL AIRPORT APRIL 8, 1994

It's an honor to be here today to break ground for this new air traffic control facility.

Towers are a unique FAA institution. Ask your friends and neighbors to name the one thing they associate with the FAA--nine times out of ten the answer will be an air traffic control tower.

That's logical because a tower is visible, almost tangible--while radar, air routes and radio communications are invisible to the public eye.

Invisible, as well, are the efforts of other FAA employees outside of the air traffic organization--those who acquire, maintain and operate our equipment and facilities--those who certificate and inspect aircraft--those who contribute in myriad other ways to the safety and efficiency of our nation's air transport system.

So, while an air traffic control tower serves as the external manifestation of the FAA for the general public, we all know there are many significant players--people, facilities and equipment--which make up the FAA's total effort.

And, on this score, I want to congratulate all those here today and others not here who have helped get us to the point where we are breaking ground for this new facility. A lot of work goes into something like this, and I want to recognize that achievement.

As many of you know, the original tower at KCI was only a ten-story facility, built in 1962 by the City of Kansas City, Missouri. As the airport expanded to the first-class facility it is today, the need for a larger, taller tower became apparent.

So, in the early '70s, the City constructed an outer steel shell around the original control tower, adding an additional six floors to meet the new requirements.

With the passage of time, the retrofitted tower has once again become inadequate. It just doesn't have the capacity to receive the new electronic equipment that is coming on line for use in air traffic operations. When the remodeling was done, the building systems in the original tower were not upgraded. They're now outdated and difficult to replace, making it increasingly expensive to maintain the tower at the required performance level.

This time the answer is <u>not</u> to build yet another shell around the existing tower. Instead, a new facility will be constructed about 200 feet north of here--one that can handle air traffic demand well into the 21st Century.

The tower situation is something of a metaphor for the air traffic control system generally.

Like the tower, which looks perfectly serviceable--and, in fact, still is--our air traffic control system has a structural problem that may not be apparent from the outside.

At its core is a bureaucracy that simply can't respond to today's dynamic aviation environment. As currently structured. the system was never designed to accommodate the rapid technological change now transforming aviation.

For example, its architect--civil service--which knows nothing about the dynamics of air traffic control, nevertheless is a major player in dictating how the FAA deploys its personnel to operate this system.

The same is true for our procurement system. FAA's current modernization efforts, aimed at replacing the antiquated ATC infrastructure, are hampered by restrictive building codes--stack upon stack of ponderous rules and regulations governing acquisition that make fielding a new piece of equipment a race against obsolescence.

On a fast track, procurement is a 5 to 7 year process that's usually overtaken by technological change. As long as the ATC system must continue to play by these rules, we're guaranteed to stay behind technology's power curve.

It's time for a new architecture for air traffic control--one that's self-regulating, self-funding, and self-governing. Stated simply: this portion of the FAA needs to become an independent government corporation with more control over its own destiny.

Quite simply, the FAA needs to change to keep pace with the changes in aviation. This morning, for example, when I flew into Kansas City International Airport, I did so without benefit of landing guidance from any navigational aids on the ground. They tell me I'm the first to shoot an instrument approach to this airport using the global positioning system--or GPS as it's called. Bet on one thing--I won't be the last.

Thanks to Garmin International--a local firm, which manufactures the first GPS receiver in the marketplace certified for instrument approaches, airline and private pilots may now navigate solely by satellite. The information contained in stacks of books and charts now resides in one small chip in this cartridge.

This decade will see a revolution in aviation like no other since we moved from directing air traffic with flags and bonfires. Satellites will be used not only for navigation, but for aeronautical communication and surveillance as well. And, with these changes must come a change in the way the FAA does business.

We can't settle for just refurbishing the old ATC system. No amount of sprucing it up will suffice. It's going to take more than cosmetic changes to make air traffic control's current structure habitable for the new tenant--that sleek, modernized air traffic control machine of the future, built for speed and efficiency.

Listening to me, one might draw the conclusion that today's ATC system is not working well. On the contrary, it's the best there is in the world--the envy of most countries, equaled by none. Still, as safe and efficient as it is today, we want to make sure that we can provide that same level of safety and service for tomorrow and into the next century. That's our mandate and commitment.

Meantime, today we have taken an important step for the future here in Kansas City, and I am delighted that I could be part of this. Thanks again to all who got us to this day.

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STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, SUBCOMMITTEE ON AVIATION, CONCERNING THE STATUS OF THE AAS PROGRAM. APRIL 13, 1994.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before you today to bring you up to date on the status of my efforts to shape the Advanced Automation System (AAS) program in a way that meets the critical needs of our air transportation system and ensures that the taxpayers receive value for their investment. I have already made several basic changes to the AAS structure, and I am committed to making any other changes necessary to get this program on track. At the outset, though, I would like to emphasize that, even with the problems we have seen with the AAS program, our air traffic control system continues to afford the Nation's air travelers the safest air transportation in the world.

This Subcommittee is well aware of the troubled history of the AAS program, which was conceived more than a decade ago as a way of meeting projected demands on our aging air traffic control system. Employing state-of-the-art technology and using automation to perform many air traffic control-related tasks, AAS is intended to accommodate increased air traffic in a more cost-beneficial way and to provide greater efficiencies and safety in our air transportation system. The underlying need for air traffic control modernization has not changed.

When I came to the FAA, I knew that a big part of my job was to understand what was really occurring with AAS, and to see that the program was brought under control. I began my review of the AAS program very shortly after taking office. I learned within a few months that the cost projections for this program, which were presented to you in late

1992, were flawed, and that there was a likely corresponding schedule impact. I notified you and other Congressional committees of that finding, and outlined for you a series of steps I was immediately taking to bring the program under control.

I am dissatisfied with the execution of this program to date. However, I am less interested in affixing blame for past poor showings than I am with shaping and managing a program that will accomplish what we need, and do so in a timely and fiscally responsible way. Last December, I described for you the plan for doing just that. Let me take a few moments to outline for you where we stand in this effort.

My first action was to charter a 45-day review of the financial and schedule status of the AAS program under the direction of the Deputy Administrator and Chief Counsel, to identify further risks to program completion and cost. That intensive review is complete. In brief, the review shows the potential for both additional cost increases and program slippage. It reflects a range of costs from $6.5 billion to $7.3 billion for completion of the program, and slippage of implementation dates for the Initial Sector Suite System portion of the program by 9 to 31 months. A particular area of risk identified in the report was to compress testing while simultaneously developing critical functions for AAS.

The critical analysis performed by this group points out that the AAS program, if unchanged, would pose uncertain cost and schedule increases that are unacceptable. This conclusion reinforces the criticality of work efforts now underway: an assessment of technical and managerial issues of AAS by the Center for Naval Analysis (CNA) and an AAS Requirements Revalidation Group comprised primarily of in-house technical staff.

I tasked CNA with conducting an independent 90-day review to assess the organizational, management, and financial concerns associated with the AAS program. As part of this

process, CNA will provide me with recommendations on realistic solutions to the problems that have previously plagued this program. I wanted that unvarnished look from an outside group with experience in large-scale software development systems to provide me with options for the future direction of our automation efforts. Although they recently updated me on their efforts, their report is not yet finalized. I can assure you they are deeply involved in their review of the program, and that their recommendations will be important to me in this process.

On a separate track, I chartered a group within the FAA, which includes representatives from DOT, DOD, and CNA, to examine the appropriate operational requirements for AAS, and to scrutinize the previously-established system requirements for current validity. Every aspect of the AAS program is on the table in this review. They are looking, for example, to determine if there is a demonstrable need for the extremely stringent specifications for system availability that were previously set, given technology advances in the last decade, and whether each program segment of AAS is justified. Their review is also focusing on determining the benefits provided by particular AAS requirements, as a means of validating their continued need.

Later this month, I expect final reports from both CNA and the revalidation team. The data they are providing, along with the information developed in the 45-day review, is being integrated and analyzed by a top-level Program Restructuring team under the direction of the new AAS program director. The team is examining all options for program restructuring, and is focusing on both short-term and long-term deficiencies with the air traffic control system. The team is assessing, for example, how best to address short-term problems caused by our rapidly aging automation equipment; determining whether currently planned TAAS and TCCC systems are still needed, or whether FAA's terminal and tower automation needs can be satisfied by existing, commercially available

systems; and whether it still makes sense to deliver an ISSS that will be supplanted by ACCC, or whether current technology permits delivery of combined ISSS/ACCC functions. The Program Restructuring team will be guided by several fundamental principles. First, any proposed system changes must be determined to yield operational benefits in excess of their cost. Second, to the extent feasible, high risk activities will be minimized, and use of available, off-the-shelf technology will be a preferred option. Third, we must be able to afford the program changes. Fourth, realistic funding and implementation schedules must be established, and timely implementation of elements of the system that provide high user benefits is favored. The team will provide me with recommendations and options for a reshaping of the program.

My current plans are to make the immediate decisions required to proceed with the program, by the end of May, in cooperation with the Department and OMB. Along the way, as discrete decisions are made on components of the overall program, we will act quickly to effectuate those necessary contract changes. I am, of course, anxious to put in place the right approach and recognize the difficulties of contract administration until we do so, but, in view of the history of this program, I am insisting within the agency that we take the time necessary to ensure that we are doing the right thing in the right way.

I have also taken a number of management steps within the agency to improve the execution of this program. I have changed the AAS program management team, and designated a new program director. We have increased our on site presence and oversight of the contractor's efforts. Immediately after the 45-day review identified the ACCC as the segment of the AAS program having the greatest potential for additional cost growth, we suspended funding for work on the ACCC. We have instituted a number of steps to more tightly control contract cost and schedule. We have also acted to further concentrate senior management attention on the program through frequent status reviews

of the program by the Deputy Administrator and me, and through closer integration among senior-level operating officials within the agency on reviewing requirements change proposals to ensure their necessity and cost-effectiveness.

Before closing, Mr. Chairman, I would like to stress that the automation of our air traffic facilities is a top agency priority. I am committed to seeing that we define a workable program, delete unnecessary and unduly costly features, and establish an implementation and funding schedule that we can meet. It is a difficult challenge, given the complexity and enormity of the program, but one that we must meet. I am confident that the steps I have taken to address the programmatic and funding issues will provide me the right kind of data to make the right choices. We will act as expeditiously as we can, and we will keep you and your staff informed of our efforts along the way. I know we all share the common goal of bringing about the critically needed improvements in our air traffic control system, and I appreciate very much the support this Subcommittee has provided the FAA in this effort.

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

DRAFT

REMARKS FOR PRESENTATION OF AEROSPACE LAURELS TO ALEXANDER P. PLESHAKOV AND GRIGORY A. GURTAVOY AVIATION WEEK & SPACE TECHNOLOGY LAUREATE AWARDS CEREMONY APRIL 13, 1994

It's a real honor for me to present the awards in the commercial air transport category to these next two gentlemen. I have great admiration for their accomplishments.

Starting up a new airline anywhere in the world these days is an enormous, and risky, challenge. Doing it in the face of the economic, social and political upheaval that was taking place in Russia at the time they took on the challenge of creating Transaero is truly extraordinary.

Unlike some of their countrymen who chose to pick up the pieces of Aeroflot as their starting point for a new airline, they had the vision to see that air travel was changing and that they would have to take a totally different tack if they were to succeed in today's aviation environment.

So, in 1990, they started out from scratch to start a new airline. Their aim was to provide Western-style service on international charters and to selected destinations within the Newly Independent States (NIS).

By October 1991, they had received Russian certification and one month later they had their airline registered with ICAO. By February 1992, they were in a position to place an order for a new Ilyushin II-86 wide-body aircraft and later that year a second II-86 was added.

By early 1993, Transaero became the first non-state owned carrier to operate scheduled flights in Russia and by April of last year, Messrs. Pleshakov and Gurtavoy accepted delivery of two Boeing 737s. Even before acquisition arrangements for the Boeing aircraft had been completed, they had sent flight crews to United Air Line's facilities in the United States for flight training.

Accomplishing all this within such a short period of time is an amazing achievement. But, to those who know Messrs. Pleshakov and Gurtavory, it comes as no great surprise. When asked for their impressions of them, people at FAA and around the industry speak of their vision. But, most of all, they talk about the hard work they have been willing to put into their dreams, their willingness to work 24-hours a day, burning the candle at both ends, doing whatever it takes to get the job done.

This is certainly emblematic of a new aggressive, entrepreneurial spirit that is beginning to take hold throughout Russia. And it also represents a spirit that has been part of aviation from the very beginning. At every critical juncture along the way, people with the magic combination of "inspiration and perspiration" have come along to move the industry forward to the next level.

We are at one of those critical junctures today as the aviation industry increasingly moves beyond national boundaries to become international, even global, in scope. And, today, as in the past, the industry relies on a new generation of pioneers like Messrs. Pleshakov and Gurtavoy to take it to the next level.

So, gentlemen, if you would please come forward, I would like to present you the 1994 Laurel Award in the commercial air transport category. Let me read the citation....Congratulations.

AVIATION WEEK
& SPACE TECHNOLOGY

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Telephone 202/383-2300

Mr. David A. Hinson
Administrator, FAA
800 Independence Avenue SW
Washington, D. C. 20591

February 1, 1994

Dear Mr. Hinson:

Each year Aviation Week & Space Technology magazine presents its prestigious Aerospace Laurel awards. These awards are given to select individuals who have made major contributions to the international field of aerospace. The awards are made in six different categories. A single individual or team is then selected as having made the outstanding contribution in each category and is named Aviation Week's Laureate for the year.

As listed in the enclosed January 24 issue of Aviation Week, the 1993 Aerospace Laureates are:

Alexander P. Pleshakov and Grigory A. Gurtovoy, President and Senior Vice President of Transaero Airlines, for the Commercial Air Transport category.

Squadron Leader David Simpson and Crew, Royal Air Force, and Captain Tony Brewster and Crew, Bristow Helicopters, Ltd., for the Operations category.

John R. Kreick, President, Lockheed Sanders, Inc., for the Electronics category.

Joseph H. Rothenberg, Director of Hubble Flight Projects; F. Story Musgrave, Astronaut; J. Milton Heflin, Head Flight Director; Col. Randy Brinkley, Mission Director; Murk Bottema, (deceased), Ball Corporation, for the Space/Missiles category.

Laurent Beaudoin, Chairman and Chief Executive Officer, Bombardier, Inc., for the Aeronautics/Propulsion category.

John B. Alexander, Program Manager, Los Alamos National Laboratory, for the Government/Military category.

These individuals will be presented with the Aviation Week Laurels trophy at a black tie dinner in Washington D.C., on April 13, 1994.

We would be honored if you would accept our invitation to attend this dinner and to participate in the presentation of these awards for distinguished service in the field of aerospace.

Specifically, Mr. Hinson, we cordially invite you to present the Commercial Air Transport Laureate award to Alexander Pleshakov and Grigory Gurtovoy, Transaero.

Thank you very much for giving this your serious consideration. We hope you will join us in this celebration of excellence in aerospace.

Very truly yours,

Dave North

David M. North
Managing Editor

Aerospace Laureates

Randy H. Brinkley, NASA's mission director for servicing the space telescope.

a "work-around," not a "fix," for the embarrassing error.

But the spacecraft had been designed for extensive servicing in orbit. Periodic visits were always planned to update its science instruments. With resolve, the Hubble team set about to find a permanent solution to the optical flaw. At least 28 proposals received serious consideration. They included everything from installing heaters to deform the main mirror to inserting an inflatable lens in the barrel of the telescope to putting a mask on the end of the telescope in place of the aperture door.

The option selected was one advocated by the late Murk Bottema, an optical

Murk Bottema, Ball Corp. scientist who designed corrective optics for Hubble.

scientist at Ball Corp. in Boulder, Colo. Bottema urged NASA to install small corrective mirrors for each of Hubble's science instruments that would be ground to prescriptions to remove the effect of the telescope's flawed main mirror. The approach was adopted for the second-generation Wide Field/Planetary Camera, which was already under construction.

Bottema's most striking contribution, however, was devising an ingenious scheme for putting the small corrective mirrors in place for three other Hubble instruments. The resulting unit, called Costar for Corrective Optics Space Telescope Axial Replacement, features a clever deployable optical bench. Ball delivered Costar to NASA's Goddard Space Flight Center within a quick, 28-month deadline.

Eventually, some 1,200 men and women were to become directly involved in Hubble's first servicing mission. Four who were key were mission director Randy Brinkley, Hubble flight projects director Joseph H. Rothenberg, shuttle lead flight director J. Milton Heflin, and the Endeavour flight crew's payload commander F. Story Musgrave. The entire team's dedication and perseverance over three and a half years paid off in what will long stand as a landmark in space flight.

Space shuttle Mission 61 last December included a record five days of extravehicular activity to conduct the most extensively rehearsed on-orbit work of any shuttle mission. The hardware astronauts installed what may be the most thoroughly inspected payloads ever bound for space. The mission accomplished everything that its planners had hoped and more. Eleven major components were installed, makeshift ones were fashioned for a problem astronauts discovered on the scene, and the spacecraft's orbit was boosted.

This month, the world saw the results of all the hard work—the first images from the repaired telescope, pictures that are obviously better. Hubble may now deliver on its promise to revolutionize astronomy. But the implications of that success extend far beyond the $3-billion Hubble program.

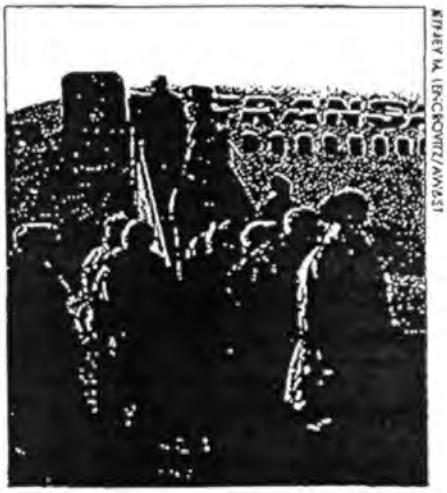
Perhaps most significantly, the mission proves to NASA and its collaborators what they can do. Not since Apollo has a such a cohesive space mission team been formed from so many disparate quarters within NASA, the aerospace industry and the academic world, yielding such thorough success. And the team did it on time and within budget. ■

COMMERCIAL AIR TRANSPORT

Alexander P. Pleshakov, president, and Grigory A. Gurtovoy, senior vice president, of Transaero

While the former Soviet Union's airline industry is still in a chaotic state, one carrier distinguished itself by providing reliable, Western-style service on international charters and to selected destinations in the Newly Independent States (NIS). This carrier is Transaero, the brainchild of two 30-year-old entrepreneurs—Alexander P. Pleshakov, president, and Grigory A. Gurtovoy, senior vice president.

Their idea in 1990 was to create an air-



KIRILL YA. LEVCHOVITZ/AVIATEST

Russia's Transaero operates Boeing 737s to destinations in the NIS.

line from scratch—going against the trend throughout the ex-USSR of using remnants of the former Soviet flag carrier Aeroflot as the basis for "new" airlines. To achieve their goal, Pleshakov and Gurtovoy decided to build up a new management organization, create their own infrastructure, and eventually acquire their own aircraft. They moved rapidly ahead with the plan, receiving Russian certification for the carrier in October, 1991. One month later, the airline was registered with ICAO, and charters began using Soviet-built aircraft under a joint operation with Aeroflot.

Charter service expanded in 1992 and included passenger flights to Tel Aviv and other destinations, along with airlift operations for the United Nations.

The young carrier reached a milestone in February, 1992, when an order was

Aerospace Laureates

placed for its own, new-production Ilyushin Il-86 wide-body transport. With a bank loan, this aircraft was acquired directly from the Voronezh Aircraft Production Plant. It was built to Transaero's specifications with a two-class business/economy cabin layout outfitted with Western-supplied furnishings. A second Il-86 has since been added in a joint ownership arrangement with the Voronezh factory.

Its sights set on establishing a network of scheduled service within the NIS, Transaero started regular operations to the northern mining city of Norilsk in January, 1993. This marked Transaero's emergence as a true competitor in the market, and it became the first non-state-owned carrier to operate scheduled flights in Russia.

Understanding the need for service markedly different from that offered by ex-Aeroflot offspring, Transaero decided to bring Western-built aircraft into its fleet. It selected the Boeing 737 in August, 1992, and even before acquisition arrangements were completed, Transaero flight crews went to United Airlines for training, while ground crews took courses at Israel Aircraft Industries.

An agreement was concluded last March for the lease of two 737s, and the aircraft were delivered to Transaero in April. As a result of extensive preplanning efforts, the carrier was able almost immediately to launch scheduled service with the twin-engine Boeings from Moscow to Kiev, Sochi and Almaty. After the first full month of operations, Transaero was logging an average 75% load factor on the commercial service.

Pleshakov and Gurtovoy understood the importance of providing good service in both economy and business classes. Although the need for customer-oriented service is obvious for Western airlines, it is too often not understood by other NIS carriers whose managers have the old Aeroflot mentality of: "the passenger will accept what we offer."

The carrier has set its sights on further expansion, but plans a measured growth rate. Scheduled service to the U. S. could start this year, and Transaero is eyeing a major fleet expansion with Western-built aircraft. While Transaero is still young, it has made remarkable progress in what had been one of the largest monopolized air transport markets in the world. Pleshakov and Gurtovoy are pioneers in bringing the former Soviet Union into the modern age of airline operations. ■

AERONAUTICS/PROPULSION

Laurent Beaudoin, chairman and CEO, Bombardier, Inc.

They were once-great aerospace companies with troubled balance sheets when Laurent Beaudoin bought them at rock bottom prices from 1986 through 1992. Now they are gathering strength as the Bombardier group of companies and have launched enough new aircraft programs to catch the attention of the entire aerospace industry.

Since Bombardier took over Canadair,

Bombardier, Inc. Chairman and CEO Laurent Beaudoin diversified into aerospace.

Short Brothers, Learjet and de Havilland, the group of companies has launched the Regional Jet, the Global Express, the Learjet 45 and 60, the Challenger 604, the CL-415 and the de Havilland Dash 8 Series 200 among other projects. Bombardier is clearly willing to invest in the future, and that was one thing lacking at these companies. Currently Bombardier is evaluating whether to launch a 70-seat Regional Jet, dubbed RJX, and a 70-seat Dash 8 Series 400. The company has also increased subcontracting work at Canadair and has plans to do so at its other units.

Of course, Beaudoin arranged things in Bombardier's favor at the time he purchased all of these companies. He had the good sense and the patience to wait until the acquisitions could be made on extremely favorable terms, and the purchase prices are telling. He bought Canadair from the Canadian government for $120 million (C) in 1986, plus Challenger royalties, while the government absorbed nearly $1.2 billion in debt for the development of the business jet.

The British government-owned Short Brothers was next in 1989. Bombardier bought it for just $60 million, and the United Kingdom provided $1.56 billion more to pay off debt and modernize the plant. Bombardier then picked up Learjet from its bankrupt parent company in 1990 for $86 million.

Bombardier bought a 51% interest in de Havilland in 1992 for $51 million and a right to buy the other 49% now owned by the Ontario government. Another $490 million in federal and provincial government loans and capital are available for the restructuring. By way of contrast, Boeing spent $155 million for de Havilland in 1986 and spent about $1 billion turning it into a mini-Renton before selling it to Bombardier, all to the benefit of the new owner.

Being a superb player in the acquisition game is one thing, managing a company or an aerospace conglomerate is quite another. Beaudoin showed his skill in this area as well by doing what few takeover specialists ever do—he backed off and let the leaders of the acquired companies run with the ball.

At Short Brothers this meant letting Robert W. (Roy) McNulty, the president, execute a revitalization plan he drew up a year before the takeover, including a 200-million pound ($300-million U. S.) investment in plant and equipment. At Learjet it meant keeping the reins in the hands of Brian Barents, an experienced aerospace executive. Sticking with indigenous aerospace leadership at each business unit has worked well for Bombardier. Canadair, Learjet and Shorts are all profitable now, and things are improving at de Havilland. Beaudoin expects Bombardier's sales to double over the next five years.

Another key to Bombardier's success is to exploit the strengths of each business unit, such as Shorts expertise in composites, and then feed work into it from all of the aerospace operations until the factory is full and highly efficient. Consolidating all flight test at Learjet in Wichita is another example, and building Challengers, Regional Jets and CL-415s in space where Challengers alone were once built is another. Finding an underutilized asset in the Bombardier organization would take a considerable search. ■

Remarks Prepared for Delivery
FAA Administrator David Hinson
Professional Women Controllers
16th Annual Conference
McLean, Va - April 15, 1994

Introduction:

It's a great pleasure to be here today. Getting out and talking with employees, individually and in groups, is one of the most enjoyable and rewarding aspects of my job. You would be surprised at how much I learn.

Good two-way communications, of course, is essentially to building organizational efficiency and effectiveness. And the faster things change, the greater the need to communicate up and down the management ladder.

FAA is a prime example right now. We're facing some major structural and organization changes and we need to be on the same wave length now more than ever.

Reinventing Government:

If I can borrow a line from Charles Dickens: This is both "the best of times" and "the worst of times." As a result of Vice President Gore's National Performance Review, we are all very much caught up in the concept of reinventing government... reinventing FAA... reinventing air traffic control.

And it's not the kind of empty rhetoric we've all heard so many times before. This time, it's the real thing. And we in FAA have been chosen to carry the Clinton Administration's colors into battle. Or, to put it another way, we're going to be the first to take heavy fire.

Personally, I find it all very exciting and very challenging. I see a real opportunity here to produce the kind of government organization envisioned by the President. Simply stated, that is one that "works better and cost less."

At the same time, I know that the kinds of structural changes we're talking about can be quite traumatic. Nothing generates more stress in the workplace than uncertainity.

It can create real problems for employees. And management, too, since productivity and efficiency invariably suffer when people are more concerned with keeping their job than doing their jobs.

Two-Way Communications:

That's why we're continually looking for ways to improve the communications process to make it even more timely and personal

Therefore, I was quite pleased with the reaction to the March 29 live satellite telecast we did on employee issues. It was the first of its kind, but I can assure you it won't be the last. We've got to keep this dialogue going, using every means at our disposal.

I must admit, however, that I felt a little like Larry King standing up there. Fortunately, I had better callers than Larry. I also had a panel of experts standing by to help me out with the hard-ball questions. As it turned out, I'm glad I did. I really needed them.

Several of the questioners even had our experts scratching their heads and saying things like, "We'll have to get back to you on that." Shows that uncertainity can be tough on managers, too, especially when the boss is looking on.

The Need for Change:

The question nobody asked is why do we need to change in the first place -- why can't we just maintain the same, old, comfortable status quo? I think the answer is that most FAA employees understand that the world is changing and changing fast and that and we have to keep pace or get left behind.

Following the Lead of Business:

American industry already has bitten the bullet on many of these critical issues and the results are showing up in the balance sheets.

Consider the U.S. auto industry. It was all but written in the early 1980's. People said it could no longer compete in the global marketplace.

So the auto industry reinvented itself, so to speak. And this year American car makers are expected to produce more vehicles than the Japanese for the first time in 14 years. Quite a success story.

Moreover, Fortune magazine reported a few weeks ago that the Fortune 500 companies made a dramatic turnaround in 1993 from a losing year in 1992. They earned a combined profit of almost $63 billion with General Motors and Ford leading the pack.

These gains weren't achieved without a lot of pain and suffering, however. Major companies have been belt-tightening, restructuring, divesting and -- that dreaded word -- downsizing. Employment among the Fortune 500 companies, for example, has dropped in each of the last nine years.

They're leaner, cleaner and maybe a little meaner but that's what it takes to survive in the global marketplace.

Downsizing the Federal Government:

Now we're being asked to apply the same basic standard to the operation of the Federal government. The goal is to cut 252,000 jobs across the board by the end of the decade. The FAA target is 6,500 jobs in the same time frame. That's 12 percent of the workforce.

For the most part, these cuts will not affect controllers and others in safety-related positions.

Not everyone is happy about that, of course, since it also takes many of you out of the loop for early outs and buy outs. But, to tell the truth, most of you look too young to go that route anyway.

Still, we did have one caller during our satellite broadcast from a controller with 32 years experience. He wanted to know why he was being discriminated against in the buy-out program.

I'm not sure we gave him a satisfactory answer except to say we need him and people like him to keep the system running. Nothing we do in the months and years ahead must be allowed to compromise or detract in any way from our number one priority. That is...always has been...always will be air safety.

ATC Corporation:

The proposed change that most directly affects this group is the corporatizing of air traffic control. We're talking about a Federal corporation, of course, not a private one. It's an important distinction.

I won't go into a lot of detail on the reasons why. You know them as well as I do -- probably better, since most of you have been here longer. But here are a couple of examples:

The current year-to-year budgetary process prevents us from managing our finances in a business-like manner.

It also makes it extremely difficult to plan and implement long-range technical programs.

The procurement process has caused us considerable heartburn in trying to bring high-tech programs on line in a timely manner. Most major corporations, for example, get by with a procurement manual four or five inches thick. Federal regulations, by contrast, make a stack 11 feet high, or so I'm told.

The inflexible Civil Service personnel rules mean the agency can't always hire and retain the most qualified people. Nor do we have the flexibility we need to match people to jobs and jobs to changing requirements.

If It Ain't Broke...

Still if there are some people who say "if it ain't broke, don't fix it. For example, the AOPA, which opposes the corporation concept, had this to say at a recent hearing on the subject:

"The current U.S. ATC system is the safest and most efficient in the world. It moves half of all the global traffic... Our system provides this capability at half the cost of services in Europe."

Well, the AOPA is absolutely right. We do have the best system. But that's a poor argument for maintaining the status quo.

Indeed, the most compelling arguments for ATC corporatization involve the future performance of the system -- that is, keeping pace with traffic growth and accommodating evolving technology.

We just don't think that's possible within the current organizational structure. The flexibility and freedom to deal with the dynamic and fast-paced air transportation industry just isn't there.

And we know from long experience that piecemeal reforms don't work. The laws and regulations governing Federal agencies form too dense a thicket to be tidied up with a little pruning here and there.

That's why we are looking at a government corporation that provides the total package of personnel, procurement and financial reforms we need to function in the 21st century.

Outlook for The ATC Corporation:

Ok, now let me tell you where we stand on its implementation.

As you probably know, Secretary Peña has had a special task force reviewing all aspects of the ATC corporation proposal for several months now. Its report is scheduled to go to the Secretary this month. Included in the package will be draft legislation, which will be sent to the Congress for action -- hopefully, speedy action.

One of the questions raised during our March 29 satellite broadcast concerned the chances for Congressional approval of the ATC Corporation. The answer given by Brad Mims, our Govt. Affairs chief, was that education is the key. We need to do a superior job of educating the Congress, the public and the aviation community on the benefits of our plan.

For example, general aviation is very much concerned that the airlines might come to dominate the corporate board and they'll end up paying higher user fees for fewer services and reduced access. We need to convince them otherwise.

Others are concerned that an ATC corporation will put profits first and safety second. You may remember that opponents of airline deregulation made pretty much the same argument 15 years ago and have been proven dead wrong. Ironically, the opposite has occurred: safety has improved dramatically and, I believe it is safe to say, profits have not.

So, we have our work cut out for us in the months ahead. But we are very optimistic. For one thing, we know we can count on the personal support of the President and Vice President -- two men who are not without influence on Capitol Hill.

Both have a high stake in the outcome. The ATC corporation is the centerpiece of the Administration's "reinventing government" concept.

Capital Improvement Plan:

Despite all the procurement hoops that FAA has to jump through and all the red tape it has to cut, the agency has done an exceptional job in carrying out the system design in the Capital Investment Program.

Last year, for example, FAA commissioned nearly 600 new systems and took delivery on hundreds more that are going on line even as we speak.

The question is whether we could we accomplish even more if we were operating as government corporation? The answer is... You bet!

Conclusion:

In closing, let me congratulate you all on the theme of this year's meeting, "The Mosaic of Our Lives," which recognizes that people are not one-dimensional but have many facets to their personalities. It shows you know what's important.

I couldn't agree more. My many years experience in business has taught me that well-rounded people invariably make the best employees. They bring a better attitude to the job... relate better to their co-workers... are more creative and productive... are less likely to suffer burn out... and so forth and so on.

So management has a vested interest in promoting this concept and encouraging people to "get a life." We still want your best efforts when you're on the job, of course, but we also want you to have a happy and rewarding life outside the workplace. When that happens, we're all winners.

So my final word of advice here is to remind you all that there has never been a recorded instance, as far as I know, of someone on his or her death bed saying, "Gee, I wish I had spent more time at the office."

Thank you... have a good meeting... and remember to stop and smell the flowers occasionally.

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DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
STATEMENT OF THE HONORABLE DAVID R. HINSON
ON THE FISCAL YEAR 1995 BUDGET REQUEST
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
APRIL 19 - 20, 1994

Mr. Chairman and Members of the Subcommittee:

This is my first opportunity to appear before the Subcommittee today to discuss the Federal Aviation Administration's (FAA) FY 1995 budget request. With me today is Gene Conti, Deputy Assistant Secretary of Budget and Programs.

First, I would like to assure the Committee of my commitment to meeting the challenges of the future in the ever-changing aviation industry. I know that this Committee's support for the FAA's budget and programs has been instrumental in helping us operate not only the world's busiest ATC system, but also the safest. Since taking office last summer I have had to confront several major challenges and opportunities. We'll talk today about actions I've taken on the Advanced Automation System (AAS), the Global Positioning Satellite use for precise navigation, and the proposal to create an air traffic control corporation. I have also had to shape a budget and strategies to enable FAA to meet increasing demands without proportional increases in resources. This will be achieved by empowering our diversified workforce, increasing accountability for our actions; improved productivity brought about through advances in technology, and by streamlining the management structure and field operations of the agency. By the end of fiscal year 1995, we will have downsized by more than 3000 people.

One of the first tasks I was directed to do by the Secretary was to see that the AAS program was brought under control. What I found was disturbing and unacceptable. Only some eight or nine months after the prior acting Administrator and the contractor had testified before this Committee last spring, we found that the real cost of the program was understated by at least $1.2 billion, and

that the schedule was euphemistically described as "fragile" It now appears that, if allowed to continue on its present course, this program could cost another billion dollars. Both the Secretary and I are committed to seeing that this totally unacceptable result does not become a reality.

I have already advised some of you of the initial steps I am taking. First, past program management has been replaced. Second, I have directed the accelerated completion of several reports. Theses should all be completed within two weeks, and I have directed the new program manager to integrate these reports and provide me a clear set of practical recommendations for the future of this program by the end of the month. Recognizing the present lack of clarity in aspects of the AAS contract, we will, as soon as our requirements and overall approach are decided, sit down with the contractors and hammer out a no-nonsense agreement. I will demand that any agreement ensure that the government gets value for its money, provides for real assurance of performance in a timely and cost-effective manner, and is realistically achievable.

We are committed to implementing a remedial program swiftly, and getting those needed aspects of a modernization program back on terra firma. but I'm not here to try to sell you or to promise miracles. Disassembling and rebuilding this 8-year old program will demand hard work and constant attention. It is just not an overnight job. There are some tough technological issues and some difficult choices to be made. I am confident that you do want us to sacrifice careful and responsible analysis of our options for the sake of speed alone, but I can assure you that we are committed to working with you towards a rapid resolution of these issues.

Another area where I have focused my attention is the area of satellite navigation and communication systems. I am proud to say that the FAA has moved with decisiveness to clear the way for large scale use of the Global Positioning System (GPS). Not only will GPS provide a more accurate and more reliable navigation system, it will provide many millions of dollars in savings to airlines through the use of more direct routing and less separation, to airline passengers

through associated time savings, and to the FAA as it is able to eventually move away from more costly ground-based systems. Based on the significant benefits to our aviation users, I am actively looking at ways to provided expanded GPS services at the earliest possible date. We will work closely with the Subcommittee to define the best way to make GPS available as soon as possible. I am proud to say that the FAA and the United States are leading the way internationally in the application of GPS satellites to air navigation, and will continue to do so.

Prior to being sworn in as FAA's Administrator, I held various positions in the aviation community from naval aviator, engineering pilot, fixed based operator to air carrier and aerospace executive. As a former customer of FAA's, I have a unique advantage in understanding the needs of our customers. To continue to effectively and efficiently meet our customers needs in the twenty-first century, FAA must change. I believe the creation of a government corporation of the Nation's air traffic control system would be a positive step in FAA's revitalization for the future. Through the corporatization of the air traffic control system, the FAA will be able to streamline its operations and provide more efficient, more cost-effective, and more responsive services to its users while still maintaining its high level of safety. The corporation will ensure the future efficiency and prosperity of the U.S. aviation system.

Our customers include airlines, to general aviation pilots, to airline passengers, to communities seeking relief from aviation noise and pollution, and communities seeking to expand their aviation resources. We have undertaken major out reach efforts as part of our strategic planning process and I have linked achievement of our goals to my evaluation of senior official's performance. In addition, we have paid close attention to the Airline Commission Report recommendations and we have worked closely with industry under the aegis of the Radio Technical Committee for Aeronautics in a number of areas.

In another partnership, the FAA has intensified research and development efforts with NASA on a wide range of initiatives. I have met with NASA Administrator Golden and his senior people have participated in our strategic planning. Those efforts include GPS satellite navigation validation where we have recently completed several coast-to-coast GPS navigation tests including analysis of the satellite integrity issues, and determination of satellite availability. In those areas, cooperative research programs which directly involve NASA Ames, NASA Langley, Stanford University, and industry have been ongoing for the past three years. The FAA hopes to award a Category II/III GPS demonstration contract in the May-June timeframe with formal testing to be completed early in 1995.

FAA has also made a pledge to strengthen its partnership with general aviation. Last month we introduced a revised General Aviation Action Plan. The plan outlines a broad range of initiatives to lower the cost of flying for the general aviation community, boost safety and technology, and guarantee fair and equal access to airways and airports. The goals of the general aviation action plan are: improved safety; better FAA service; fostering product innovation and competitiveness; promoting fair system access and more system capacity; and affordability. The plan represents a team effort between government and industry.

Let me turn to the challenges of doing more with less. FAA is committed to increasing performance and reducing costs. Our FY 1995 budget proposes nearly a quarter billion dollars of staffing reductions, programmatic streamlining, and efficiencies within the agency. Staffing reductions have been targeted at the non-safety workforces and management layers in an effort to protect the huge investment in our uniquely trained safety workforces. The non-safety workforces will continue to decline through continued application of a hiring freeze, attrition, use of early out and buy-out authority, and agency initiatives to streamline organizations and reduce supervisor to employee ratios. We are aggressively pursuing business process reengineering to

simplify our procedures and to take greater advantage of automation to deliver services internally and with our customers.

Even with our downsizing efforts, our budget requests 305 more staff in flight standards and aircraft certification workforces -- an increase consistent with findings of the General Accounting Office, the Inspector General, and our own internal evaluations. This will restore the number of inspectors almost to the level that we had in FY 1991. In addition and during a time of significant downsizing, our budget maintains current staffing levels in the air traffic control, maintenance, and security work forces, except for reductions made possible due to efficiencies associated with contracting out of Level 1 towers and streamlining airway facility operations.

Through the Airport Improvement Program (AIP) and the highly successful Passenger Facility Charge (PFC) program, the nation's airports are able to enhance airport-specific needs; improve system capacity and reduce system delays; make safety and security improvements; and mitigate noise and other environmental consequences of aviation.

In conjunction with the AIP grants, PFC revenues provide an investment in the infrastructure that is critical to the economic well-being and growth of our air transportation industry. In 1995 we expect PFC collection of approximately $750 - 800 million compared to approximately $750 million collected in FY 1994. As intended, PFC's are making an important contribution to our Nation's airports by assisting in major safety and capacity enhancing projects around the country. In addition, PFC's provide a funding stream that gives airports the added flexibility they need for long-term planning and development projects.

In February, Mr. Chairman you released a report showing that 17 of 33 major airports were using airport-generated funds for non-airport purposes. I want to emphasize that the Department and FAA are placing greater emphasis and priority on enforcing prohibitions against revenue

diversion. FAA is working with the Office of the Inspector General to assure that airport sponsors are fulfilling their airport revenue obligations. We will be tightening the guidelines for audits and we will be expanding our education of grant requirements. I was personally involved along with the Secretary in the review of this particular issue in Los Angeles this past fall.

We have also recently completed a task force effort which reviewed our Letter of Intent (LOI) program. As a result, we have developed a proposed LOI policy which assures that we use LOIs only to invest in airside development projects which provide the best system-wide capacity benefits. This new policy proposes to allow funding for airside development projects. It will require more rigorous analyses of the sponsor's financial commitment and the benefit/cost ratio of the projects, especially given the limited amount of funds available for LOI projects. The policy will be published in the very near future for comment by all interested parties. The FAA intends to use this policy in considering all future LOI requests. However, no new LOI's can be issued until the FAA has enabling legislation.

The FAA is implementing a program to enhance its AIP's investment criteria. The program is an ongoing one. Ultimately, the program will include goals and performance measures for a National Airport System that is fully consistent with the National Transportation System. In addition, the FAA is currently considering various innovative financing mechanisms to encourage more capital investments from the private sector to enhance the transportation infrastructure.

Before concluding my statement, I would like to reemphasize FAA's commitment to revitalizing the aviation industry through the corporatization of the air traffic control system. Our intent is to design an organization which reflects the reality of a highly-competitive global marketplace. We believe through this revitalization our future can be much brighter than any of us have ever imagined.

Mr. Chairman, this concludes my prepared remarks. I want to thank you and the other members of this committee for your continued support for and interest in FAA's activities and programs. I will be pleased to answer any questions you or other members of the Subcommittee may have at this time.

PREPARED REMARKS FOR DAVID R. HINSON
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FEDERAL AVIATION ADMINISTRATION
UNIVERSITY OF WASHINGTON
SCHOOL OF BUSINESS ADMINISTRATION
1994 BUSINESS LEADERSHIP BANQUET
SEATTLE, WASHINGTON
APRIL 20, 1994

Good evening, and thank you Todd (Hamachek) for that generous introduction. It's a great pleasure to come back to my Alma Mater and it's an honor to be invited to speak at the School's 1994 Business Leadership Banquet.

When Dean Leventhal asked me to come here, he suggested that you might like to hear about the future of the aviation industry from a Washington perspective. Which reminded me of a story that Congressman Norman Mineta of California tells about his experience where he was the featured speaker on a similar occasion.

The master of ceremonies that evening told the audience all about the Congressman's importance as the chairman of a powerful committee on Capitol Hill. Then he ended his introduction by assuring everyone that they were now about to hear "the dope from Washington."

Although I'm still relatively new to the Washington scene, I'll do my best to live up to its reputation.

This evening I would like to talk about an industry -- the aviation industry -- where I have worked for forty years -- but which is now changing rapidly before our eyes. I'll try to explain why it is changing and identify the economic and technological factors which will determine the shape of things to come.

Movie mogul Sam Goldwyn once advised -- "Never prophesy, especially about the future." As everyone knows, speculating about the future is a risky business. And the farther ahead we try to look, the more certain it becomes that we will eventually be proven wrong.

What we think might happen tomorrow can only be based on what we think is happening today. We are always caught in a time trap, since all our attempts to forecast the future depend entirely on our understanding of the forces which are shaping our present world.

Here is an example of what I mean.

At the Chicago World's Fair in 1893, the great marvel was electricity. The grounds were lit by the very first electric street lamps anywhere and the dynamo was hailed as the ultimate symbol of progress.

With the invention of electricity, everyone thought the world had reached the apex of achievement.

The U.S. Commissioner for Patents, Charles Duell, even urged President McKinley to shut down the patent office. As far as he was concerned, "Everything that could be invented, had been invented".

This was the golden age of the railroad, and visionaries at the time predicted that the ultimate form of transportation would be the electric-powered locomotive. Beyond that, no further improvements would be possible. The long evolution of transportation would have reached its final stage...the end of the line.

We know now, in retrospect, that even at the moment when the railroads seemed to be the most unassailable, their dominance was very soon to be challenged by an entirely new mode of transportation -- the automobile.

Yet just a decade later, an event would occur that would -- as the Washington Post reported at the time-- alter the destiny of mankind. This event was the first successful flight of a powered aircraft.

That first voyage of the Wright Flyer traveled just 112 feet ...a distance shorter than the wingspan of the Boeing 747.

And, as it turned out, neither the automobile or the airplane would be powered by electricity -- nor even by steam -- but by an entirely different source of energy...petroleum.

A hundred years ago, who could have guessed that the quest for oil would become a major factor in world politics? And who, back then, would have believed that, in their lifetime, they would see giant aircraft capable of carrying hundreds of passengers around the globe?

It is always easy, in hindsight, to criticize someone else's lack of foresight. But if history has taught us anything it is this: none of us can predict what lies ahead -- at least not much beyond the next 20 years. Nevertheless, it is important that we try.

The FAA has been producing annual aviation forecasts for about 35 years. And while we don't claim to be omniscient, our forecasts are among the best.

Our experience with forecasting constantly reminds us that aviation, over the long term, is highly sensitive to such macro variables as population growth and the level of economic activity, as measured by the GDP.

The United Nations reports that by the year 2050 -- the world's population will number eleven and a half billion. About twice what it is today. Worldwide, we are adding a billion people a decade...or the equivalent of one New York City every month.

And in many places on the globe, countries with expanding populations are also countries with expanding economies.

By the year 2050, more than 35 percent of the world's population will live in Asia -- more than 50 percent if you include India. China's population alone is projected to surge by a staggering 11 percent a year.

Over the next decade or so, GDP in Japan, Australia, New Zealand, and the Pacific Basin will grow about 4.5 percent a year -- a full two points faster than growth predicted in the United States and Europe.

But the country with the biggest growth will be China -- where it is expected to top 10 percent or more a year. Latin America, where another ten percent of the population will live, is also beginning to realize its economic potential.

Even if the GDP of these countries doesn't quite keep up with the birth rate, the combined momentum of population and economic growth is going to redefine and redistribute world markets.

Aviation is already reflecting this global shift in economic resources, and we can confidently predict that the present trends will fundamentally reshape our industry in the years to come.

All the forecasts I've seen tell pretty much the same story. Over the past 15 years, passenger traffic in Asia grew nearly 50 percent faster than the worldwide rate. It will increase even more rapidly during the next ten -- somewhere on the order of seven to eight percent a year.

And dramatic growth in passenger traffic leads to equally dramatic increases in aircraft sales.

Just two months ago, an event took place which seemed to me to be an important signpost to the future. The event was the Singapore Aerospace Show, and it was the biggest ever held in Asia. For many in the industry, it already outranked the Paris air show in importance.

The reason is clear enough. Commercial aircraft manufacturers expect the Asia-Pacific market to outperform every other market during the next 20 years.

These are trends which I'm sure are followed very closely here in Seattle. For this city -- a world center for aircraft manufacturing -- is very much a part of this economic geography.

Seattle-Tacoma International is the tenth busiest airport on the Pacific Rim, just slightly below Singapore in rank, and slightly ahead of Bangkok. And some of our forecasters expect that by the year 2010, the number of passengers who take Asia-bound flights from Sea-Tac will double.

The people of the Seattle area know that such profound changes are to be expected in this business. You have seen many of the shake-ups and shake-outs which have taken place in aviation in the past forty years.

I have seen these same changes myself. And I have been a part of many of them. As a naval aviator and as a pilot for Northwest Airlines. Then as a flight instructor for United and the director of flight training for West Coast Airlines here in Seattle. I've worked in aviation as a small businessman -- I once owned the Beech distributorship for the Pacific Northwest, and I spent several years providing services for general aviation as a fixed-base operator.

I've also lived through many of the trials and tribulations of the industry as the CEO of Midway Airlines and as a marketing executive for McDonnell Douglas.

So I've experienced it all -- from general aviation to commercial transport -- in the good times as well as the bad.

I've watched aviation grow from 35 million passengers in 1955 to 473 million in 1993. And, I expect to be around to see it reach the 800 million mark which we are forecasting by the end of this decade.

When I graduated from the University of Washington in 1955, about three and a half million people traveled back and forth between the U.S. and foreign countries. And more than a third of them booked passage on the great ocean liners which were still in service. Just three years later, in 1958, four and a half million people took overseas trips and nearly three-fourths of them traveled by air.

Looking back, we recognize that this was one of the major turning points in the history of American transportation, as ocean liners gave way to airliners...and turboprops were replaced by Boeing 707s and 720s -- and by the Douglas DC-8.

During my senior year here at the University, Boeing was producing the 377 Stratocruiser, and when I left the Navy -- two years later -- Pan Am was just about to take delivery of its first jets.

That was also about the time that the first domestic jet service began, with regular flights between New York and Miami.

The mid-fifties and early sixties were exciting days for American aviation. Everyone was optimistic and full of enthusiasm. A lot was happening and it was happening fast. But it was also a time of turmoil and uncertainty. The greater the adventure the higher the risk. And no one could be certain which risk would pay off.

Boeing is remarkable in that it is a big business always ready to take a chance on a bold new concept.

The 727 was the first aircraft of its type. It was the first because Howard Hughes kept Lockheed from building anything like it. He doubted that people would ever trust an airplane with only three engines.

Boeing took an even greater risk when it built the 747. It almost bankrupted the company at first, because few carriers wanted to buy it. But eventually it became Boeing's most successful aircraft. It has been reported that 1 billion 400 million people have flown on the 747. That's the equivalent of one out of every four people living on earth today.

It came as no surprise, then, that last year ... when the Economist magazine put together a list of the seven wonders of the modern world ... the editors included the 747 as one of their choices.

This month saw the unveiling of the firm's biggest project since the 747 was launched 25 years ago. It's the Boeing 777 -- the world's largest twin-engine jet. And the last entirely new airliner to be built in this century.

Next month will see the opening of Denver International -- the first entirely new airport to be built in the United States in twenty years. And like the 777, it too will celebrate the close of an epoch -- the last airport for the century which saw the building of the first -- at College Park, Maryland, in 1909.

As we try to sum up the last few decades of aviation, we are also trying to say something about the direction we'll be taking in the early years of the next century. I believe we can identify at least four powerful forces which are transforming our industry.

Common to all four is the need to reduce costs and improve efficiency -- without in any way compromising aviation safety.

The first force for change is globalization -- and there is more to it than just codesharing and the increasing number of alliances between U.S. and foreign-flag carriers.

The fact is, everywhere in the world, aviation increasingly must conform to a single set of international standards and procedures. What is rapidly evolving is an integrated global system built of compatible and interchangeable components.

What is driving this globalization is the realization that efficient, low cost operation requires a high level of standardization across the industry.

The second force for change is the accelerating pace of innovation in technology.

For some time now, our knowledge has been increasing at an exponential rate. Just in the domain of computers, the information processing capacity of the silicon chip has just about doubled every year.

It has been predicted that in 20 years, the computer on your desk at work will be as powerful as today's Cray supercomputers.

The third force for change is the impact of technological advances on government agencies such as the FAA.

It's known that throughout history...whenever new information technologies have radically altered the amount of information available, existing institutions have been reorganized into more complex forms.

The FAA is in just that situation today, and we must find ways to restructure that agency so that it can fully exploit the new technologies -- both to reduce the cost of air traffic services, and to further enhance our already unmatched standards of aviation safety.

Everyone agrees that the skies are safer largely because of technology. And a large part of this technology is found in the FAA's air traffic control system. It is imperative that the FAA continue to take timely advantage of every new technological advance which promises even greater safety to air travelers.

The fourth force which is reshaping our industry is the changing nature of airline economics.

The Gulf War of 1991 is one of those totally unforeseen historical events which lays in wait to ambush any forecast. Very few anticipated the outbreak of the war itself. And no one could have predicted the cascade of economic consequences which followed.

Just as war jitters caused passenger volume to plummet, and the economy to go into decline...the airlines were taking delivery of record numbers of new planes -- 844 jets in 1991...790 in '92, aircraft which had been ordered in the heady days of the 80s...when everyone's forecasts aimed straight up. The industry has been trying to recover its profitability ever since.

But despite the severe economic dislocation which overcapacity has caused the last several years, the long-term prospects for growth are very positive.

Right now we're in a lull ...a short time-out...after the very rapid growth in aviation which we've seen the last twenty years.

The FAA's forecasts predict that growth will accelerate again toward the middle or end of this decade. Once the upturn occurs, it will be difficult to meet the demand, either for new aircraft or for essential aviation services.

The current market outlook for the next 15 years projects total sales of over 12 thousand commercial passenger jets.

The magnitude of this demand is easier to grasp if you know that those sales will more than equal the total number of civil transport planes which are in service today -- about 11 thousand seven hundred. And it nearly equals the total number of all commercial passenger jets delivered in the past 40 years.

With so many more planes in the air, it will be a challenge to provide the level of air traffic control services which are available today. And many airports will run out of gates and runways.

Seattle is already struggling with this problem. The rate of growth for Sea-Tac International is nearly twice the national average. And with this sharp increase has come an attendant increase in the number of delays.

Sea-Tac is one of about two dozen in the country which the FAA has identified as chronically troubled by delays. And, unless we act to prevent it, with the expected gains in traffic over the next decade, it will get worse.

Of course, the problem of delay will worsen everywhere there is congestion. And wherever they occur, delays impose a heavy financial penalty upon an airline industry struggling to control its costs ... and upon business passengers whose lost time drains the economy of vitally needed productivity.

There is a strong economic incentive, not only to prevent future deterioration in the quality of aviation services -- but to actually find ways to improve it.

This is the rationale for much of the new technology which is already under development -- new approaches to air traffic control management and to aircraft design and manufacture which will improve safety and reliability while boosting efficiency and profitability.

I'd like to highlight some of the most promising developments which I believe best represent the next generation of aviation technology.

The U.S. air traffic control system is, by virtually any measure, the safest and most efficient in the world. The international civil aviation community has long looked to us, together with Great Britain and Canada, as the model for the effective administration of the airspace, and as a constant source of new technology, innovation, and guidance.

The FAA have been very fortunate to find expertise in academic institutions like the University of Washington, and in the research laboratories of industry leaders like Boeing.

It is because of these long and productive ties that the FAA has maintained its position of leadership as the world's foremost aviation authority.

This achievement assumes even greater significance when you consider that much of the technology in today's system dates from the World War Two era.

Between 1982 and the year 2005, the FAA will have invested $32 billion dollars in a capital investment plan to replace its aging equipment and to upgrade and improve the entire air traffic control system.

We will invest an additional one and a half to two billion dollars each year in airport grants -- to build new runways, taxiways, and aprons. And to combat the problems of aviation noise and pollution.

Much of the FAA's capital investment program focuses on three new technologies: satellite navigation, higher levels automation, and digital data link communications.

These three new technologies are changing the way we traditionally think of air traffic management -- shifting us away from the purely ground-based perspective that we've had for the past 60 years -- to one which places increased emphasis and reliance on airborne participation and decision making.

In the system of the future, air traffic control will move from active to passive. Most functions will be automated, leaving pilots and controllers free to concentrate on matters which call for human judgement. Flight information will be exchanged by means of digital transmissions, rather than voice communication.

In the coming years, automation and digital data link communications will be as important to aviation as radar was forty years ago.

But perhaps no technology in this and the coming century offers more promise for civil aviation than satellite navigation.

The exceptional capabilities of satellite technology were vividly demonstrated to us all during the Gulf War. Now the Department of Defense has made its NAVSTAR Global Positioning System -- the GPS-- avialable to civil aviation around the world.

From a technical standpoint, I believe the GPS will be the only system we will need to safely and efficiently manage our airspace.

From the standpoint of economics and public policy, I believe that it is the only system that makes sense.

Over the next three years, we intend to make GPS available first for domestic take-off and navigation, then for trans-oceanic navigation, and finally for precision approaches worldwide.

Private pilots are already using GPS at hundreds at landing fields which lack the expensive ground-based navigation equipment found at larger airports. Continental Express is using GPS on its commercial flights between Denver and Aspen, Colorado.

As GPS is incorporated into our air traffic control system, more and more carriers will be able to benefit from more precise routing, fuel savings, and increased airport capacity in foul weather. I expect our carriers to move quickly to take advantage of this new technology.

Given all that we have learned about the potential for GPS to support civil air traffic control, it is not unreasonable to predict that GPS may one day be considered a basic utility, a key component of our information infrastructure -- essential not just for aviation, but for all modes of transportation.

Just as air traffic management is being transformed by the confluence of progress in computers, communications and satellites -- aircraft manufacturers are searching for new ideas to improve the safety efficiency of their planes and the productivity of their production process.

One approach which will be especially important in the long run is computer-aided design.

The Boeing 777 is the first commercial aircraft ever to be designed entirely on computer screens without paper and pencil and without full-scale mockups to determine how well the parts fit together.

Design and testing procedures have been changing all along. Over a 55 year period, the Kirsten Wind Tunnel here at the University was used to test 125 different types of airplanes. But aviation research requirements changed, and there was less and less business for the wind tunnel.

It is shutting down on May 31st -- and its closing will mark the end of an era. The design of the 777 marked the beginning of another.

One of the most sophisticated features of the 777 -- one found also in the Airbus -- is an engineering system known popularly as "fly by wire."

This concept is a little more complicated than you might expect after watching Mary Martin in Peter Pan. So let me give you a quick description.

Fly by wire was first used in the early manned space craft. Instead of using heavy cables to control a plane mechanically, an on-board computer sends electronic signals to devices which move the plane's rudder, flaps and other control surfaces.

Besides reducing weight, fly by wire gives the pilot a greater degree of control over the plane and makes it easier to build fail-safe redundancy into the aircraft.

As advanced as this concept seems to us today, future aircraft designs after the turn of the century will most likely incorporate "fly by light" technology -- where heavy weight wires are replaced by feather weight optical fiber cables capable of carrying tremendous amounts of information at the speed of light.

Fiber optics will push even further the idea of the "glass cockpit". Computers will perform more and more of the routine work which was once the job of the crew itself, giving those in the cockpit more time for tasks which require high levels of skill and experience.

But the greatest promise of fly-by-wire and fly-by-light is safety. If a conventional plane has a serious mechanical failure -- a cable cut, perhaps -- the pilot may be unable to bring the plane down safely. Someday, by means of fly-by-wire technology, such a mechanical disruption may be self-repairing. It will be electronically mended while the plane is still aloft.

Most new aircraft being delivered today are equipped with a flight management system which uses microprocessors to collect, analyze and display information...and even to make decisions based on this information.

The computer industry expects that by the year 2000, a single chip will have the computational power once found in a mainframe.

Such an achievement depends on continued progress in miniaturization. In less than 20 years, the width of circuits etched onto the chip have slimmed down from the diameter of a human hair to slightly less than the length of the average bacteria.

No one knows how far this miniaturizing process can continue. But every advance in cramming still more capacity into a microprocessor means that our next generation of flight management systems can become just that much more powerful.

Eventually the flight management systems will be directly linked to the network of powerful computers and digital communications systems which, along with satellite technology, will make up the advanced air traffic control system the FAA is now putting in place.

In aircraft, as in air traffic control, change is usually evolutionary -- not revolutionary. So I believe we can reasonably expect that improvements in civil transport aircraft will most likely consist of refinements and extensions of what is already flying today.

Boldly innovative ideas are being developed, however. Especially among designers of cargo carriers, helicopters and the new breed of vertical take off and landing aircraft.

Hybrids like the V-22 Osprey can take off, land, and hover like a helicopter. By tilting its rotors forward, it can fly like a turboprop, at speeds of up to 345 miles per hour.

But some of the most innovative ideas for civil use come from where you might least expect to see it. I'm referring to cargo carriers.

One exciting prototype now being tested is the McDonnell Douglas Delta Clipper-Experimental -- sometimes called the DC-X.

This is a reusable craft that combines airplane and rocket technology. Propelled by liquid oxygen and hydrogen, the DC-X is designed to take off vertically from earth, achieve orbit, and return to land. It can carry between 10 and 20 thousands pounds of payload -- which can be either cargo or passengers.

New concepts like the Delta Clipper look exotic to us today. But fifty years from now, they may be commonplace.

The most radical development in aircraft design, however, will take place when some new form of propulsion replaces the aviation fuel burning system we know today.

Airplanes now use petroleum-based fuels just as locomotives burned wood in the early decades of the railroads. But the great period of railroad expansion required a shift to more efficient coal.

And it is likely that the next great phase of commercial aviation will depend on a more efficient energy source as well. Perhaps liquid hydrogen, or methane...or even nuclear power...as unlikely as that may seem.

Whatever happens to be the aviation fuel of the future, it will not be the same one we are using today. The eventual depletion of our petroleum reserves and our continuing concern for the environment make this a prediction which is almost certain to be correct. And the high cost of aviation fuel provides a strong incentive to search for cheaper alternatives.

The innovations in technology which I have been describing -- both in air traffic control and in aircraft design -- both have the potential to raise total productivity in our aviation system to a level where they can provide a significant stimulus to overall economic growth...not just to the aviation sector, but to our entire nation.

Historically, we know that periods of economic decline have also been times of innovation in transportation technology.

It is during the dormant downturns of the business cycle that new ideas take root. And the germination of each innovation has occurred in phase with long-term economic rebuilding --- opening up investment opportunities, creating jobs and contributing to the general welfare of the nation by enlarging its capacity to transport goods and people.

Railroad construction, for example, reached its peak just in time to fuel our nation's recovery from the dire economic collapse of the 1880s.

Ambitious highway building projects in the 1930s coincided with government efforts to restore stability during the Great Depression -- and prepared the way for the unbounded growth of the automobile and trucking industries after the war.

And now, as we begin to reverse the slow economic unraveling which economic historians say began in the early 1970s, we can look forward to the buildup of air transport to propel the structural recovery which is expected to occur between now and the year 2020.

The great advance in air traffic control technology now taking place can be the platform to support the rapid growth which we predict for the next two decades. And the sophisticated new aircraft designs for faster, safer, bigger, more fuel-efficient planes may add momentum to the next great upswing in the world economy.

Progress in transportation should once again fill its great historic role as an engine for change. And -- by continuing to invest in U.S. aviation and air traffic technology -- we can make sure that the engine is stamped "Made in America."

Thank you very much.

DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
STATEMENT OF THE HONORABLE DAVID R. HINSON
ON THE FISCAL YEAR 1995 BUDGET REQUEST
BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
APRIL 21, 1994

Mr. Chairman and Members of the Subcommittee:

This is my first opportunity to appear before the Subcommittee today to discuss the Federal Aviation Administration's (FAA) FY 1995 budget request. With me today is Gene Conti, Deputy Assistant Secretary of Budget and Programs.

First, I would like to assure the Committee of my commitment to meeting the challenges of the future in the ever-changing aviation industry. I know that this Committee's support for the FAA's budget and programs has been instrumental in helping us operate not only the world's busiest ATC system, but also the safest. Since taking office last summer I have had to confront several major challenges and opportunities. We'll talk today about actions I've taken on the Advanced Automation System (AAS), the global positioning satellite use for precise navigation, and the proposal to create an air traffic control corporation. I have also had to shape a budget and strategies to enable FAA to meet increasing demands without proportional increases in resources. This will be achieved by empowering our diversified workforce, increasing accountability for our actions, improving productivity brought about through advances in technology, and by streamlining the management structure and field operations of the agency. By the end of fiscal year 1995, we will have downsized by more than 3000 people.

One of the first tasks the Secretary directed me to undertake was to see that the AAS program was brought under control. What I found was disturbing and unacceptable. Only some eight or nine months after the prior acting Administrator and the contractor had testified before this Committee last spring, we found that the real cost of the program was understated by at least

$1.2 billion, and that the schedule was euphemistically described as "fragile". It now appears that, if allowed to continue on its present course, this program could cost yet another billion dollars. Both the Secretary and I are committed to seeing that this totally unacceptable result does not become a reality.

I have already advised some of you of the initial steps I am taking. First, past program management has been replaced. Second, I have directed the accelerated completion of several reports. These should all be completed within two weeks, and I have directed the new program manager to integrate these reports and provide me a clear set of practical recommendations for the future of this program by the end of next month. As soon as our requirements and overall program approach are decided, we will sit down with the contractors and hammer out a no-nonsense agreement. I will demand that any agreement ensure that the government gets value for its money, provide for real assurance of performance in a timely and cost-effective manner, and is realistically achievable.

We are committed to implementing a remedial program swiftly, and putting those needed aspects of a modernization program back on firm ground. But I'm not here to try to paint a rosy picture or to promise miracles. Disassembling and rebuilding this 8-year old program will demand hard work and constant attention. It is just not an overnight job. There are some tough technological issues and some difficult choices to be made. I am confident that you do not want us to sacrifice careful and responsible analysis of our options for the sake of speed alone, but I can assure you that we are committed to working with you toward a rapid resolution of these issues.

Another area where I have focused my attention is satellite navigation and communication systems. I am proud to say that the FAA has moved with decisiveness to clear the way for large scale use of the Global Positioning System (GPS). Not only will GPS provide a more accurate and more reliable navigation system, it will provide many millions of dollars in savings to airlines

through the use of more direct routing and less separation. Based on the significant benefits to our aviation users, I am actively looking at ways to provide expanded GPS services at the earliest possible date. We will work closely with the Subcommittee to define the best way to make GPS available as soon as possible. I am proud to say that the FAA and the United States are leading the way internationally in the application of GPS satellites to air navigation, and will continue to do so.

Prior to being sworn in as FAA's Administrator, I held various positions in the aviation community from naval aviator, engineering pilot, fixed based operator to air carrier and aerospace executive. As a former FAA customer, I have a unique advantage in understanding the needs of our customers. To continue to effectively and efficiently meet our customers' needs in the twenty-first century, the FAA must change. I believe creating a government corporation for the Nation's air traffic control system would be a positive step for the future. Through corporatization, the FAA will be able to streamline its operations and provide more efficient, more cost-effective, and more responsive services to its users while still maintaining its high level of safety.

Our customers range from airlines, to general aviation pilots, to airline passengers, to communities seeking relief from aviation noise and pollution, and those seeking to expand their aviation resources. We have undertaken major outreach efforts as part of our strategic planning process and I have linked achievement of our goals to my evaluation of senior officials' performance. In addition, we have paid close attention to the Airline Commission Report recommendations. We have worked closely with industry in a number of areas under the aegis of the Radio Technical Committee for Aeronautics.

FAA has also made a pledge to strengthen its partnership with general aviation. Last month we introduced a revised General Aviation Action Plan. The plan outlines a broad range of initiatives

to lower the cost of flying for the general aviation community, boost safety and technology, and guarantee fair and equal access to airways and airports. The goals of the general aviation action plan are: improved safety; better FAA service; fostering product innovation and competitiveness; promoting fair system access and more system capacity; and affordability. The plan represents a team effort between government and industry.

Let me turn to the challenges of doing more with less. FAA is committed to increasing performance and reducing costs. Our fiscal year 1995 budget proposes nearly a quarter billion dollars of staffing reductions, programmatic streamlining, and efficiencies within the agency. Staffing reductions have been targeted at the non-safety workforces and management layers in an effort to protect the huge investment in our uniquely trained safety workforces. The non-safety workforces will continue to decline through continued application of a hiring freeze, attrition, use of early out and buy-out authority, and agency initiatives to streamline organizations and reduce supervisor to employee ratios. We are aggressively pursuing business process reengineering to simplify our procedures and to take greater advantage of automation to deliver services internally and with our customers.

Even with our downsizing efforts, our budget requests 305 more staff in flight standards and aircraft certification workforces -- an increase consistent with findings of the General Accounting Office, the Inspector General, and our own internal evaluations. This will restore the number of inspectors almost to the level that we had in fiscal year 1991. Our budget maintains current staffing levels in the air traffic control, maintenance, and security work forces, except for reductions made possible due to efficiencies associated with contracting out of Level 1 towers and streamlining airway facility operations.

Through the Airport Improvement Program (AIP) the nation's airports are able to enhance airport-specific needs; improve system capacity and reduce system delays; make safety and security improvements; and mitigate noise and other environmental consequences of aviation.

I want to emphasize that the Department and FAA are placing greater emphasis and priority on enforcing prohibitions against revenue diversion. FAA is working with the Office of the Inspector General to assure that airport sponsors are fulfilling their airport revenue obligations. We will be tightening the guidelines for audits and we will be expanding our education of grant requirements. The Secretary and I were personally involved in the review of this particular issue in Los Angeles this past fall.

We also have recently reviewed our Letter of Intent (LOI) program. As a result, we have developed a proposed LOI policy which assures that we use LOIs only to invest in airside development projects which provide the best system-wide capacity benefits. This new policy proposes to allow funding for airside development projects. It will require more rigorous analyses of the sponsor's financial commitment and the benefit/cost ratio of the projects, especially given the limited amount of funds available for LOI projects. The policy will be published in the very near future for comment by all interested parties. The FAA intends to use this policy in considering all future LOI requests. However, no new LOI's can be issued until the FAA has enabling legislation.

We are implementing a program to enhance the AIP investment criteria. The program is ongoing. Ultimately, it will include goals and performance measures for a National Airport System that is fully consistent with the National Transportation System. In addition, we are currently considering various innovative financing mechanisms to encourage more capital investments from the private sector to enhance the transportation infrastructure.

Before concluding my statement, I want to reemphasize FAA's commitment to revitalizing the aviation industry through the corporatization of the air traffic control system. Our intent is to design an organization which reflects the reality of a highly-competitive global marketplace where technology is rapidly evolving. We believe through this revitalization our future can be much brighter than any of us have ever imagined.

Mr. Chairman, this concludes my prepared remarks. I want to thank you and the other members of this committee for your continued support for and interest in FAA's activities and programs. I will be pleased to answer any questions you or other members of the Subcommittee may have at this time.

REMARKS BY DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
FEDERAL EXECUTIVE BOARD SEMINAR
NORMAN, OKLAHOMA
APRIL 26, 1994

Thank you, Mac (McClure). It's always a pleasure to come back to Oklahoma and look around at all the changes which have taken place since my boyhood here.

This new training facility is an impressive example of the kinds of change that I'm always discovering.

And it's another example of the growing national prominence of Oklahoma as a center for the training of public sector employees.

As you know, the FAA maintains its own training facility nearby ...at the Aeronautical Center in Oklahoma City.

We've made a major investment there to keep our training state-of-the-art. For we recognize that a well-educated, diverse workforce is now more essential than ever. Especially in agencies like the FAA, where we must work constantly to upgrade our technology and retrain our people to use it.

Aviation is a field where we can never quite keep up with the pace of technological innovation. We always seem to be trailing, and -- in recent years -- the gap has been widening.

To keep pace with these developments, we need to provide opportunities to our employees for continuous education and intellectual renewal. Get too far behind, and you can never catch up.

Now...today...all of us in government service are required to adjust to still another rapid change -- not in technology, but in the way the federal government is structured to operate...a fundamental change in the way we manage the federal workforce.

Throughout every level of government...there is a growing public demand that we learn to do more with less. We are all expected to reduce our operating costs while...at the same time ... maintaining, even improving ... the quality of our services.

This is the idea which Vice President Gore is so effectively advocating -- the idea of re-inventing government to make it work better and cost less. And it is an idea which has important implications for all of us who are federal executives.

Today, I'd like to discuss these implications from the perspective of the Federal Aviation Administration -- and then describe one of the approaches we've been taking to smooth the transition to a smaller, more flexible, more diverse workforce -- an approach which anticipated, by several years, one of the recommendations put forward in Vice President Gore's National Performance Review.

I'm sure many of your own organizations face the same challenge as the FAA -- how to balance the demands of a growing business against the constraints of a shrinking budget.

The FAA is busier today than it has ever been. We are perhaps the only federal agency which is in full operation around the clock, with never a day off or a time-out.

Every day, our air traffic controllers handle 170 thousand take-offs and landings, including more than 33 thousand commercial flights which carry more than a million passengers.

We oversee more than 17 thousand airports and maintain a vast interlocking network of some 28 thousand air traffic control, navigation, surveillance and communication systems.

We perform aircraft safety and airport security inspections, license pilots and flight instructors, conduct safety seminars and carry out an aggressive environmental program to reduce aircraft noise and pollution.

The FAA has a twin mandate to promote aviation and assure its safety. And I think everybody gives us high marks for both.

Air traffic has doubled since 1979 and we predict that it will double again by the year 2010, less than two decades from now. Yet, despite the fact that our airspace is more and more crowded, there is a greater margin of safety than ever before.

Our worst year on record was back in 1961. If that year's accident rate had held constant in 1993, we'd have had 245 accidents...instead of the 23 which actually occurred. And none of these involved a passenger fatality on a major carrier.

So, the long-term trend is for air traffic to become even heavier than it is today. And for air travel to become even safer.

But another trend...an irreversible trend...is for smaller and smaller budgets. FAA spending will shrink three percent in real dollars this year...for the first time in our history.

And between now and fiscal 1995, we will reduce our staffing between five and six percent. We are not going to cut our safety work force -- which means that the reductions must be absorbed by roughly half the Agency. Already about two thousand of our employees have taken advantage of the early buy-out offer. By the time we close the window -- in about seven days -- I expect this number will increase considerably.

Clearly, we must concentrate on what is central to our mission and our mandate, scaling back or even discontinuing those activities which are of only marginal relevance to our core obligations.

Clearly, there will be new patterns of work organization as we remove layers of middle managers and broaden supervisory spans of control.

Our remaining managers must delegate more and more of the decision-making authority to lower level employees. And they, in turn, must have both the knowledge and the technical competence to handle the added responsibilities which they must now assume.

For downsizing to work, we must invest not just in more technology but in more training.

But these changes -- though profound and far-reaching -- are quite insignificant when compared to the major restructuring which is being contemplated.

I'm sure most of you are aware that the President's Airline Commission has recommended that the air traffic control function of the FAA be set up as a separate corporate entity within the Department of Transportation. Vice President Gore's Task Force on Reinventing Government made a similar recommendation

While the details of this proposal are still being worked out, it is obvious that very significant organizational changes are being seriously considered.

The establishment of a government corporation for air traffic control may seem like a radical departure. But we are -- in fact -- simply following the lead of many other countries which have already taken this step.

It's a better way to do business, because the corporation will be free of many of the federal regulations which now handicap the FAA is making the most efficient use of its employees and hamper us in our efforts to make timely acquisitions of new technology.

As federal executives, I'm certain you all have your own stories of the frustrations created by a system of procurement that is bogged down in the bureaucracy. It's awkward. It's time-consuming. And it just doesn't work anymore.

The formation of a separate and specialized corporation for air traffic control will go far in accomplishing this Administration's goal of a more efficient, productive, responsive government.

Once the corporation is approved, we expect the transition will likely take about 18 months to complete.

During this transition, it will be very important that we pay a lot of attention both to labor-management relations and to encouraging greater employee involvement in laying out the future course of our Agency.

Both of these issues, I notice, are on the agenda for today's seminar.

I'm pleased that some of our FAA managers are able to take part because these are two issues which are of very special interest to us. In fact, it would be difficult to tell the story of our agency over the past several years without dealing at length with both of them.

One of the most decisive events in the FAA's history -- in fact, one of the defining moments in the history of labor relations in this country -- was the firing by President Reagan, in 1981, of more than 11 thousand striking air traffic controllers.

Even now, more than a decade later, many of our people still have painful memories of that disturbing and demoralizing episode.

Once the FAA was able to return to a semblance of normal operation, a number of our key senior executives decided that it was absolutely crucial to learn from this experience...and to prevent it from every happening again.

If you had known the Agency as it was 15 or 20 years ago, you would have agreed that there was much that needed to be changed.

The old FAA had a lot of the discipline and precision of military life. But it could also be as autocratic and intimidating.

Moreover, the old FAA was still a preserve of the white male. There were few minorities and even fewer women in management positions.

The FAA leadership knew this rigidly controlled, adversarial work environment was one of the factors which led up to the strike...and that a new atmosphere had to be created within the organization.

Their response was a creative experiment in labor-management relations that was far ahead of its times. It was initiated in partnership with the union which represents our electronics technicians, and it was intended to begin the slow process of creating a new basis for cooperation and conciliation.

They called this experiment the Employee Involvement Process...and those who were involved at the very beginning had to overcome a lot of suspicion and resistance.

People in the upper echelons of the FAA vigorously opposed any attempt to let the unions participate in decisions which they considered to be the sovereign prerogative of management.

Union members were distrustful of any effort which might jeopardize their hard-won rights to collective bargaining.

And those who spoke up in support of the idea often found themselves at odds with their own colleagues -- who thought they had gone soft and sold out to the other side.

But sensible people -- both in the FAA and in the union -- knew that there was no real alternative to the concept of employee involvement. The old combative relationship was just too destructive, too counter-productive to be allowed to continue unchallenged.

Out of necessity and out of conviction, we made this experiment work. We are still fine-tuning the concept, still developing the idea. But the Employee Involvement Process has become a model for the entire agency.

A major extension of the concept occurred when management and labor...on the air traffic side of the FAA...jointly decided to set up their own version, called Quality Through Partnership.

The two approaches, similar in objective but slightly different in design, now cover roughly 85 percent of the total FAA workforce.

Both have evolved into a formal system of consultation between management and union representatives -- one which goes far beyond the usual concerns with contract negotiations and labor disputes.

It is an ongoing consultation which involves full and regular participation on key committees -- committees which not too long ago were only open to our managers.

The employee involvement process has been critically important to the FAA in creating new opportunities to communicate at all levels of the organization...and across all boundaries.

One important indicator of how far we have come is the dramatic decline in the number of grievances filed by union representatives.

In a single year, grievances at one troubled FAA facility dropped from 17 to zero. Nowadays, grievances at that facility are rare. And grievances seldom go all the way to arbitration. At all of our work centers, most disputes are settled before they escalate into full-blown confrontations.

Where once we had antagonism, today we have trust.

Union representatives are active members of our key planning teams, contributing their expert knowledge and experience to the design of the new air traffic control systems which we're now installing nationwide.

By involving our employees, both in making plans and in carrying them out, we've been able to more smoothly manage the change-over from one air traffic control technology to another -- without mishap and with any disruption of essential service. Imagine trying to change a tire on a car going 60 miles an hour and you get a good idea of just how difficult that is.

The Employee Involvement Process and the Quality Through Partnership initiatives have created a level of trust not found in any other government organization.

That's not just my opinion. It is also the opinion of the president of the controllers union...who went on to endorse the idea of the new corporation on the grounds that Quality Through Partnership could achieve even more...once freed of all the restrictions which now limit what we can do.

Employee participation has proven its value over and over again. And we're certain to place even greater reliance on it in the months ahead. For to make the massive changes which confront us with intelligence and fairness will require a level of cooperation which goes far beyond what we've accomplished up to now.

All of our early successes with the Employee Involvement Process and Quality Through Participation...these were all just trial runs for the really big event.

Yet I have every confidence that we will succeed.

Although I'm a relative newcomer to government...I've been in my job for less than a year...I have very much come to admire the professionalism of the career people with whom I've worked at the FAA.

And I also have gained a great deal of respect for their far-seeing perspective. They take the long view. They know that something vital is at stake here.

If we can succeed in the re-invention of government, we can begin to restore the public's shattered confidence in effective, responsive government institutions.

But this restoration of confidence can only happen if there is widespread commitment to the idea throughout the workforce. If everyone has pride of ownership in it.

In the end, the patent for the re-invention of government must be held...not by political leaders or the executive elite...but by the career federal workers themselves.

Thank you very much. And my best wishes for a productive and stimulating seminar.

Talking Points for
FAA Administrator David R. Hinson
Dedication of
Southwest Region Headquarters
Fort Worth, Texas
April 26, 1994

- Thank you very much, Clyde (De Hart). Mayor Webber, distinguished guests. It's a pleasure to help dedicate this building. Kudos to all who made it possible.

- This facility accommodates 862 employees with an annual payroll of $36 million. Among its many new features, it has been described by the Mayor as one of the most accessible buildings for the disabled in the entire Dallas-Fort Worth area. So, we are particularly proud of that.

- This facility and the people who work here are dedicated to aviation--to meeting the challenges of a rapidly-changing aviation industry. But, they also are dedicated to

  --efficiency in government
  --furtherance of NAFTA

- Efficiency in government

  --NPR and its challenge to use our resources more efficiently and provide better service to our customers
  --ATC corporation is a major element of NPR and airline commission reports.
  ATC corporation will provide the flexibility management needs to run this business effectively.

- NAFTA

  --Highway 35 (outside this building) cuts this country's mid-section and connects Mexico and Canada, serving as a major artery between three countries.
  -- So too this building and the airports and aviation operations in the region have a role to play in air transportation between the three countries as NAFTA increases demand for movement of people and cargo.

- Dallas-Fort Worth area: Pivotal to NAFTA and aviation worldwide. Examples of key facilities and operations in this area.

DFW Airport:

--Second busiest airport in the nation, and shortly to be the first.

--Only airport in the world that will have three operating ATC towers.

--Only airport in the world to have three and ultimately four independent simultaneous instrument approaches.

Alliance Airport:

--Intermodal hub, with air, rail, and highway access.

Dallas-Love Field:

--Home of one of America's most successful airlines. Southwest Airlines is changing the face of the airline industry. It provides no-frills, low-cost fares. It is meeting the needs of air travelers at a price they can afford.

American Airlines:

--One of the major businesses and employers in the area and a leader in world aviation. Long time ago, leaders saw the importance of this area and relocated their offices from New York.

Bell Helicopter-Textron:

--Tiltrotor at the cutting edge of aviation technology and represents a glimpse of the future.

American Eurocopter:

--Helicopter industry reflects global nature of business. Employees in this building involved in certification of helicopters visit Bell in Hurst, Texas, and Eurocopter in Grand Prairie, but also companies in Eastern Europe, Russia, Japan, South America, and other countries.

- By any standard you choose, this is one of the most important areas for world aviation and FAA is proud to be part of this effort. We know we're helping to shape the future of aviation.

- Thank you.

STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT, CONCERNING AVIATION INFRASTRUCTURE NEEDS. APRIL 28, 1994.

Mr. Chairman and Members of the Subcommittee:

I welcome the opportunity to appear before the Subcommittee today to discuss the FAA's aviation infrastructure programs. Accompanying me are Cynthia Rich, FAA's Assistant Administrator for Airports, and Martin Pozesky, Associate Administrator for System Engineering and Development.

As the Members of this Subcommittee know well, one of the most pressing needs in our air transportation system is the need for additional capacity to handle projected air traffic. The airport capacity of today will not meet the air transportation demands of tomorrow. We project, for example, that U.S. air carriers will increase their enplanements by about 60 percent by the year 2005, an average increase of 4 percent per year. In that same time, total aircraft operations at airports with FAA air traffic control services are expected to increase by 23 percent, or about 2 percent per year.

In 1991, 23 of our airports experienced more than 20,000 hours of airline flight delay each year; 33 airports may fall into that category by the year 2002 if no capacity improvements are made. It is readily apparent that without substantial improvements in system capacity, passengers and air carriers will face added costs and increased delays.

The FAA is responding to this challenge in many ways. The Airport Improvement Program (AIP), which is currently not authorized, permits us to assist in funding airport

capacity enhancement projects, such as the construction of new runways or terminal improvements. An additional funding source, passenger facility charges (PFCs), is contributing an increasing proportion of the costs of eligible projects. The conversion of former military air bases to civilian use provides a means of expanding civil capacity. Other capacity improvements require the development and use of new technology. More than three dozen programs, including the satellite-based Global Positioning System, are in progress at the FAA to provide that new technology.

The Airport Improvement Program has been the traditional means of Federal assistance to airports to provide additional capacity, and we are hopeful that a multi-year reauthorization bill for this program will be enacted soon. It is a major component of the financing necessary for airport planning and development, and it has provided the financial stability necessary for airports to obtain additional financing in the bond market for airport development. Historically, AIP assistance has provided about one-quarter to one-third of the funding for the capital investment in airport infrastructure, with bonds providing another third. The remainder is financed by other airport revenues and PFCs. The continued Federal presence provided by AIP funding remains important to support the annual public spending expected in the near-term for airport development.

I would like to take a moment to report to you on our AIP efforts of the last fiscal year. During FY 93, FAA issued 1434 grants. In FY 93, we devoted a record $715 million in AIP funds to capacity infrastructure development. Capacity enhancement projects at primary airports continued to receive priority consideration under the discretionary portion of the AIP program, where we can target funding.

We have also funded work to provide new, relocated or extended runways at a number of key airports throughout the country. Most of these runways are needed to accommodate

a gradual increase in activity due either to airline hub operations (such as at Dallas/Fort Worth and Salt Lake City) or the growing demands of metropolitan areas (such as Washington Dulles). Other projects, such as the one planned in Philadelphia, will increase capacity by permitting independent approaches to parallel runways during all weather conditions, which is not possible under the current configuration.

The Military Airport Program, established as a key component of the AIP, provides an important opportunity to add new capacity. FY 93 brought an additional four military airports into the program, for a total of twelve airports, as well as an increase in set-aside funding. There is substantial airport infrastructure available for conversion throughout the country, which can provide valuable added capacity to complement capacity efforts at current civil airports.

We also have recently reviewed our Letter of Intent (LOI) program. As a result, we have developed a proposed LOI policy that assures we use LOIs only to invest in airside development projects providing the best system-wide capacity benefits. This new policy proposes to allow funding for airside development projects. It will require more rigorous analyses of the sponsor's financial commitment and the benefit/cost ratio of the projects, especially given the limited amount of funds available for LOI projects. The policy will be published in the very near future for comment by all interested parties. The FAA intends to use this policy in considering all future LOI requests. However, no new LOIs can be issued until the FAA has enabling legislation.

We are implementing a program to enhance the AIP investment criteria. The program is ongoing. Ultimately, it will include goals and performance measures for a National Airport System that is fully consistent with the National Transportation System. In addition, we are currently considering various innovative financing mechanisms to

encourage more capital investments from the private sector to enhance the transportation infrastructure.

To supplement AIP grant assistance, many commercial service airports now have available to them an added source of funding -- PFCs, or passenger facility charges. As of April 1994, the FAA has approved a total of $9.3 billion in passenger facility charges throughout the country since collections began in June, 1992. When a large or medium hub airport imposes a PFC, its AIP entitlement funds are reduced by a set proportion. These funds, also known as "turnbacks," increase the amount of AIP discretionary assistance available to airports nationwide. Entitlement reductions increased our AIP discretionary funds by over $57 million in 1993, and are expected to exceed $100 million in 1994, depending on reauthorization legislation. Together, the AIP and PFC programs provide the investment in infrastructure that is so important to the economic well-being and growth of our air transportation industry. In addition, PFCs provide a predictable funding stream that gives airports the added flexibility they need for long-term planning and development projects.

We are also pursuing a variety of technological improvements that will add to the FAA's investment in the infrastructure, providing increased safety and efficiencies in our air transportation system. FAA continues to press for the development and exploitation of technologies that will increase system capacity, and for the installation of capacity-enhancing navigational aids and facilities. In FY 81, FAA developed the National Airspace System (NAS) Plan, which was the blueprint for modernization of the air traffic control system. Since that time, the FAA has issued a comprehensive statement of capital needs, known as the Capital Investment Plan (CIP). The CIP is based on a detailed capital planning process, and contains projects complementing the NAS Plan baseline program to update and maintain America's air traffic control system.

While the United States air transportation system operates very safely and efficiently, delays are a concern to aviation productivity, especially at the major hub airports. Although more than half of all delays are due to adverse weather, CIP investments can provide increased capacity through better use of air traffic control and management automation systems. The continuing growth in the volume and complexity of aircraft operations will place unprecedented demands on the NAS through the turn of the century. The 1993 Capital Investment Plan describes the FAA's efforts to prepare for these increasing demands by investing in infrastructure modernization. Users of the NAS system will benefit from improvements in flight services, more efficient routing, reduced delay, and enhanced safety.

Overall, we have made substantial progress in implementing the CIP, and many of our major efforts have begun to deliver tangible benefits to today's passengers. Over 85 percent of the systems covered by the NAS plan have been delivered to the field, including 183 radars, 273 airport surface observing systems, and 110 low-level wind shear alert systems. The benefits realized since 1981 total $35 billion in 1992 dollars. These benefits come from minimizing delays caused by air traffic congestion and down-time of old, obsolete equipment. These improvements have led to savings in FAA operations and maintenance expenses, and increased productivity for air carriers.

To meet worldwide air traffic demands, fundamental technologies and procedures of the future system must be global. Satellite technology, for example, will become an increasingly attractive option for providing regional and worldwide services. For this reason, the 1993 CIP reflects a new policy direction for the NAS: our accelerated commitment to a satellite-based navigation system that uses the global positioning system (GPS) as its foundation. GPS is now an operational part of the U.S. air traffic control

system. FAA has certificated the first two GPS signal receivers for oceanic, domestic en route, terminal, and non-precision approaches. And Department of Defense specifications for initial system operation have been accepted by the FAA for civil aviation purposes. In the future, aircraft will relay positional signals from their GPS receivers to ground stations, increasing safety and accuracy, and reducing costs of aircraft operation. Airlines will save millions of dollars each year in fuel costs.

In closing, Mr. Chairman, I would like to stress that the FAA shares your concern for ensuring that there is adequate infrastructure to support the projected growth in air transportation well into the next century. We are working on ways to expand airport capacity through AIP-funded projects. And we are investigating the technological improvements necessary to ensure that our air traffic control system remains the world's safest and most efficient.

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

REMARKS BY DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
NATIONAL AVIATION CLUB
APRIL 28, 1994
HYATT REGENCY HOTEL
CRYSTAL CITY, VA

Good Afternoon.

I want to thank Wes (Admiral Wes McDonald) for those kind remarks and tell you all how pleased I am to be here.

When the National Aviation Club was formally established in the Spring of 1955, I had just graduated from the University of Washington and was on my way to aviator school in the Navy. Most of us here today have spent our entire professional lives in aviation. And for those of us born in the 1930s...our infancy coincided with the infancy of commercial air travel. We have grown up together.

But while we've matured by progressing through a set sequence of biological stages...aviation's growth has been far less predictable. The technological and commercial development of aviation has taken many surprising turns over the years. And if the history of transportation can teach us anything, it is the shocking speed with which we can be overtaken by the totally unexpected.

A hundred years ago, everyone assumed that railroads were the ultimate form of transportation. Beyond that, no further improvements were possible. The long evolution of transportation had reached its final stage...the end of the line. Yet even then, in 1895...thriving in the shadows of the giant railroad companies...was the emerging automobile industry, with 300 car makers competing energetically for market share. And within a decade, the Wright brothers had obtained a patent for the first power-driven aircraft and were about to get a contract to build them for the War Department.

There are people still alive today who have been witness to this unrivaled era of invention and innovation...people who courted in a Model A, honeymooned on the 20th Century Limited and celebrated their fiftieth wedding anniversary by flying to Paris on the Concorde. During the first twenty years of my own professional life, air travel increased more than five-fold -- from 37 million in 1955 to more than 200 million in 1975. Today that number has risen to almost 500 million. And we expect it to reach 800 million shortly after the turn of the century.

So it has to be a fundamental assumption that the field of aviation will continue to see rapid, perhaps even dramatic changes over the next few years. And it absolutely essential...for the vitality of our industry ...that the FAA prepare itself for these inevitable changes.

We're not committing ourselves to specific predictions about the future. But we are trying to make sure that our organization has the future resources and resilience to cope with any changes which do occur, however surprising and unexpected these turn out to be.

This is the purpose of the FAA Strategic Plan which we are releasing today. It's a significant event for us because this is the first time we have ever drawn up a plan the way it is done in the business world. And in consultation with our customers as full participants in each stage of its development. It sets forth exactly what we have agreed we need to do as an agency and spells out, in detail, how we will do it ... breaking down broad goals into discrete, manageable steps. Someone is assigned specific responsibility for executing each step and is given a deadline.

Taken as a whole, our Strategic Plan goes a long way to advance the Clinton Administration's Initiative to Promote a Strong Competitive Industry -- which I had the privilege of introducing, along with Secretary Peña and Dr. Laura Tyson, the Chair of the Council of Economic Advisers, From the beginning of his Administration, President Clinton has made it clear that he views aviation industries as crucial to America's future. He has shown us many times that he will act to keep it prosperous and globally competitive.

In preparing our strategic plan, we were very much aware of an historic convergence of forces which are reshaping our industry. The plan anticipates the impact of these changes and offers a blueprint for responding to them. By following through with the plan, we will be addressing the major issues that face aviation today and in the years ahead. Among these converging forces, let me mention four which I think are especially important. Common to all four is the need to reduce costs and improve efficiency -- without in any way compromising aviation safety.

The first of these forces is the troubled state of the industry. In the economic downturn of the past few years, every sector of aviation was stricken by heavy losses. We all welcome the signs that our economy is growing again. And with that recovery, we expect a return to some modest profitability. But we all know it will take more than a strong economy to restore our industry to full financial health. All of our woes cannot be blamed on the recession or the Gulf War. Some causes, as identified in the report from the President's Airline Commission, are more structural and systemic.

One heaviest economic burdens for our air carriers -- and for all American business, is the high cost of health insurance for their employees. The fight that President Clinton is leading to win health security for all Americans will be of enormous help to the industry in controlling this major expense and enabling them to become more competitive.

The next force I would like to mention is the trend toward globalization which is affecting both our aerospace and airline industries. There is more at stake here than code-sharing and the increasing number of alliances between U.S. and foreign-flag carriers. The fact is, everywhere in the world, aviation increasingly must conform to a single set of international standards and procedures -- for reasons of safety first and foremost, but for reasons of cost as well.

Then, there is the constant push which comes from technological change...and the outpouring of new products and engineering solutions which is transforming our entire field.

Finally, there is the demand for government that does more and costs less. Vice-President Gore's initiative to reinvent government calls upon all Federal agencies to become as pared down and efficient...and as responsive to the public...as our best private sector companies have become.

These four forces greatly influenced the directions in our strategic plan. But to think of it as only a plan would not do justice to what we have accomplished. For its most distinguishing feature isn't in the plan itself, but in the way it was developed.

A few weeks ago, I attended the unveiling of the new Boeing 777 -- an aircraft which was the first to be designed in close collaboration with its future buyers. In fact, representatives from three client airlines were actually members of the design team. The FAA -- in putting together its strategic plan -- has followed a very similar approach.

When I arrived at the agency in August, work on the plan was already underway. It was clear to me from the beginning that the FAA's senior managers had set out to create an action plan that would be far different from any other the agency had produced in the past.

They began by just listening -- something people said we hadn't done enough of in the past. They listened to senior and mid-level managers who had been with the agency for many years. They listened to newly hired employees...people with a fresh perspective...whose thinking had not yet been indoctrinated by the FAA party-line. They consulted experts -- from universities and think tanks, business and labor. Then, shortly after my arrival, we held a similar session with our customers -- the National Aviation Coalition, which is a group made up of aviation trade associations and member organizations --senior people from the airlines and from industry.

We called these meetings "challenger sessions" because they compelled us to look at what we were doing with a fresh eye -- a more corporate, market-oriented point of view. We spent the day with them...listening to their concerns, hearing where they thought we should be concentrating our efforts, both in the near term and in the long term.

We took great pains to incorporate the spirit, as well as the letter, of what they were saying -- and we went back to them several times to make sure we were getting it straight.

Here are a few examples of what we were told and how we responded:

We were told we needed to make government regulation more rational ... to get better information about the real costs involved ... and to do a better job in explaining the reasons which underlie our rule-making decisions.

We started on this right away. In January, I invited industry groups to help us identify the top three regulations they felt needed to be revised or eliminated. We received 167 comments and will complete our review by the end of September.

We were told to take an early, pre-emptory lead on environmental issues. Many of our customers feared that -- without an aggressive program by the FAA -- activists unfamiliar with the special needs of aviation might force unwise and unnecessarily restrictive regulations on the industry.

We agreed, and we are establishing a clear and precise schedule for expanding our work with local airports and surrounding communities to develop programs for compatible land use and noise management. Moreover, we will continue to collaborate with NASA on noise and emissions research, and will cooperate with EPA in writing regulations which are both fair and responsible for the aviation sector.

We were told that we should make the certification process more efficient and vigorously pursue world-wide harmonization of standards and procedures.

We responded by developing a dozen near-term milestones dealing specifically with transport aircraft, small airplanes, engines, rotorcraft, ATC procedures, and other issues important to industry vitality and international competitiveness. The section on industry vitality also includes our top 14 priorities from the general aviation action plan. We have renewed our efforts -- within the FAA and within the members of the General Aviation Coalition -- to re-vitalize GA. We are determined to keep this momentum going.

We were told we should speed up the adoption of the Global Positioning System and other new technologies. Here is some of what we have done.

Over the past few months, we have certified the first GPS receiver, and allowed airline and general aviation pilots to navigate by GPS. We have set milestones to approve differential GPS for Category One approaches and to study its feasibility for Category Two and Three operations.

By 1996, when we have to make a decision about the precision landing system of the future, we will have the full information we need to make that decision.

We were told that the FAA needed to show its strength as a leader in world aviation, by promoting aviation growth and supporting the sale of U.S. products abroad. This is a role that I also see for us and one that I strongly encourage. The international leadership portion of our plan sets out the specific goals we expect to achieve.

One objective we all agreed on was the need to maintain our strong focus on safety. We should target our resources, we were told, on reducing the hazards of aging aircraft, human error, runway incursions, and weather-related accidents.

You will find these objectives in the "System Safety" section of the plan. But I can assure you that safety is a consideration in every milestone we will undertake, regardless of where it appears in the plan.

This is just a quick sampling of what the plan contains.

The FAA Strategic Plan is actually two documents. The first looks at what and where we want to be in the future. The second volume is a tactical, five-year plan which provides clear direction and allocates responsibility. The financial crisis in the airlines has made us even more aware that our customers can't afford to wait until the 21st Century for new products and services. Unlike our earlier plans, this one gives equal consideration to what we can do to improve services today.

What you won't find in this plan is a "wish list". We must live with the reality that we simply won't have the resources -- the people or the money -- to do all the things we want to do...or that you'd like us to do. We're going to have to pick among difficult alternatives, just as you do every day in your own enterprises. There will be hard choices to make. But they will be made in the context of our nation's overall transportation objectives. Our plan was coordinated with Secretary Peña's parallel strategic plan developed for the Department of Transportation.

By tying our goals to the broad goals of the Department, we are assuring more consistency and continuity over time -- shielding us from the "puts" and "takes" which can erode the internal logic and integrity of plans which are not conceptually linked. I see this linkage as an important step in making wise choices among competing priorities.

It is my responsibility as FAA Administrator to make this plan work. And I know all the senior level managers share my commitment. But making it work will be far easier if our new business-like approach to our customers is reinforced by a new business-like form of organization.

The creation of a Federal Air Traffic Services Corporation is a move which many of us believe cannot come too soon. We are already late to the game -- many other countries have already taken this step.

The FAA -- as presently structured -- is finding it more and more difficult to exploit new technology or sustain the new growth which will be necessary to meet future demands of our industry. Our aim is to establish an organization free of many of the regulations which unnecessarily complicate the already complex jobs of procurement, financing, and personnel management.

This new federal corporation will allow us to speed up the purchase of new technology, simplify the hiring of employees with specialized skills, and allow us to place our people where we need them the most. Many of you, I know, are eager to see the proposal. We expect it to go to the Secretary next week.

Some people worry that the corporation will lead to lower safety standards, exorbitant user fees, or favoritism toward the big carriers. I'm confident the proposal will allay these concerns. If we could start from scratch to design an organization perfectly geared to cope with the forces of change that are reshaping our industry -- the one that would make the most sense, I believe, is this new Federal corporation.

The strategic plan we have released today heads us in the right direction. The corporation will get us there faster.

While today is the formal debut of our Strategic Plan, it is not the actual starting date. We got off to a quick start, and we've maintained a fast pace ever since. Already, FAA managers are working with our customers to meet the 1994 milestones. And in July, we will all be meeting to review the progress we have made so far this year. Later on, in the fall, we will issue a report to the industry on what we have accomplished. I think we will have a lot to show.

Strategic plans, we are told, take on value only as committed people infuse them with energy. I know that our people have both the commitment and the energy to fulfill the very high standards of performance which this plan demands of the FAA.

We are proud of this plan, and I thank the National Aviation Club for providing me this forum to discuss it with you today.

Thank you very much.

TALKING POINTS FOR DAVID R. HINSON
ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
HERITAGE FOUNDATION
WASHINGTON, D.C.
APRIL 29, 1994

The idea behind the corporate proposal: government works better with less self-regulation.

It's more than a little paradoxical. Bill Clinton is a Democratic president who, not surprisingly, believes strongly in an activist federal government. Ordinarily, one associates government involvement with government rules. But the President is espousing a startling idea -- that government itself can work better if it is freed of some of its own self-imposed regulation.

This is the idea behind the Clinton Administration's effort to invent a more effective and efficient way to deliver essential air traffic services.

Proposal to be released May 3rd.

Our proposal for a new federal corporation for air traffic services will be formally introduced on May 3rd.

While I won't be able to discuss all the details today, I can assure you that the proposal will reflect...

...the positions expressed by President Clinton's Aviation Initiatives and Vice President Gore's National Performance Review;

...a similar recommendation by the National Airline Commission;

(More)

...and the commitment of Secretary Peña and myself to the concept of a more effective form of organization -- one better suited to meet the future demands of a rapidly growing industry;

...while in no way compromising our high standards of aviation safety.

The proposal will neither shrink the government role or shirk its responsibilities.

The proposal will not shrink the role of government in aviation. Nor will it shirk any of the responsibilities which have long been part of the FAA's mandate.

The corporation will be obligated to serve the public's vital interest in a safe, well-managed national air space. But it will be done more efficiently and with greater economy. We believe this is an excellent opportunity to show what we can do to make government work better and cost less.

The FAA is unique.

The FAA is unique among all government agencies. As President Clinton's Airline Commission report put it: aviation is the single big business where minute-by-minute operating efficiency is capped by the daily operating efficiency of the federal government.

Air carriers on their own can do little to pack more planes into an airspace which is already densely crowded...or to reduce costly delays...or choose more fuel-efficient routes. All of these steps require FAA action and support.

There is industry consensus on the FAA's shortcomings.

But throughout the aviation industry, there is long-standing criticism of the FAA's capacity to keep up with its rapidly changing needs in an increasingly competitive business environment.

In recent years, no less than two dozen separate studies have looked at the FAA. We always get high marks for safety. But consistently we are criticized for erratic management.

The diagnoses are always very similar:

We lack control over our own finances and autonomy in making important decisions;

We are hobbled by inflexible procurement and personnel procedures;

We are thwarted by too frequent turnover at the top, disrupting continuity of leadership;

We suffer from bureaucratic inertia and from an organizational culture which is difficult to change.

Corporation will free managers to concentrate on important problems.

Most of these defects have been recognized for a long time within the FAA itself. And our people have to devote far too much of their time and energy just trying to minimize the extent to which these shortcomings can frustrate us in the performance of our day-to-day work.

One of the strongest arguments for the corporate proposal is the liberating effect it will have on our employees. Especially our managers. They will at last be free to concentrate on the paramount issues and problems.

The widespread frustration of FAA employees has produced widespread support for the corporation among our unions.

Corporation will simplify relationships with industry.

The proposal has also gained widespread endorsement from industry groups and trade organizations...the people on the outside who deal with us everyday.

To our customers, the shortcomings of the FAA become most visible when we try to acquire new technology.

Dealing with procurement: a bewildering and exasperating experience.

Dealing with the procurement process can be a bewildering and exasperating experience. Whenever the subject comes up, someone is certain to mention the 11 foot stack of rules which govern our acquisition process.

Current regulations: a suffocating blanket

That legendary stack is 11 feet of good intentions, built inch by inch over the years. No doubt every one of those rules started out with the aim of correcting some real past abuse. But, over time, in our zeal to guard against malfeasance and political favoritism, we've layered one regulation on top of another to such an extent that we are now suffocating under its thick blanket of protection. The unfortunate result is that many of them add only time and money to the procurement process. I'm not sure how effective all these safeguards are in preventing fraud and abuse by unscrupulous contractors or dishonest federal employees. I am sure that they are stifling innovation and severely limiting our flexibility.

Spec and proposal preparation: costly, time consuming and bewildering.

When the FAA invites bids from suppliers, we are required to exhaustively specify each and every detail. One request for proposals, which we issued not long ago, was accompanied by an entire box full of engineering design specifications. And it cost each contractor two to three million dollars just to prepare a bid for submission.

The job of writing specifications, evaluating bids and negotiating contracts is far too time consuming and complex.

It can take two to five years -- sometimes even longer -- to award a contract for a new piece of equipment. By the time we take delivery and get it installed, the technology may be obsolete.

Procurement system is unsuited for high tech acquisition.

Technology in the field of air traffic control is evolving so rapidly that it is increasingly out of synch with our slow moving procurement process.

The FAA -- as it exists today -- is finding it more and more difficult to exploit new technology and expand its capacity to serve the growing needs of our industry.

ATC system will struggle to handle predicted growth.

This year, 500 million people will board planes at U.S. airports and take a trip on a U.S. carrier. Shortly after the turn of the century that number will climb to 800 million. We're forecasting a greater than 60 percent increase in air travel over the next decade or so. Our air traffic control system -- even with the planned improvements -- will have to struggle to accommodate this growth. We could be overwhelmed by it.

Situation urgently calls for fundamental reform.

This is a situation which calls for an urgent response. It's time for fundamental reform.

As we've seen from past efforts, piecemeal attempts don't work. The laws and regulations form too dense a thicket to be tidied up with a little pruning here and there.

Corporate approach tried in other countries.

The best solution is one already adopted by a number of other countries -- a specially chartered corporation inside the federal government but outside the federal system of procurement and personnel regulation.

(More)

A broad sketch of what will be proposed.

The full proposal is not yet available for public release. We'll have to wait until May 3rd to learn the details. But let me sketch in some of the general provisions.

The new federal air services corporation will...

...employ the 38 thousand employees now at the FAA who are directly involved in providing ATC services;

...have a CEO with the power and tenure-in-office to run the system and be held fully accountable for performance;

...have a board of directors which is broadly representative. Just as President Clinton has sought to have an administration which "looks like America," the corporate board will "look like American aviation" ... in all its impressive variety and vitality. It will not be under the thumb of just one narrow segment of the industry.

...will be able to more rationally plan for long-term investment because it will be funded by a steady, predictable stream of user fees and permitted to borrow on the open market.

...will have a freer hand to make more intelligent use of its human resources. It will have more flexibility in hiring the highly specialized people it needs at competitive salaries and deploying them wherever and whenever their skills are required. It will be able to compensate employees assigned to areas with high costs of living and reward those willing to take jobs of hardship locations.

...be subject to the authority of the FAA for safety oversight...just as air carriers and aircraft manufacturers are now subject to rigorous FAA inspection and supervision. The new corporation will never be free to compromise on safety or economize on compliance.

The proposal breaks free of conventional Washington thinking.

This is an outline of some of the general features of the new corporation which we envision. It is a daring proposal because it breaks free of conventional Washington thinking about how government should go about providing essential public services.

And while it has won important support on the Hill -- Senator Lautenberg, for example, recently gave his endorsement -- others continue to have serious reservations.

We welcome the help of the Heritage Foundation in convincing those who are still unpersuaded.