Luncheon Remarks by Monte Belger at the Air Transport Association Annual Engineering, Maintenance, and Materiel Forum, Monday, April 25, 1994

Thank you for the opportunity to address this session of the Engineering, Maintenance, & Materiel Forum. I would like to discuss with you my thoughts on this year's forum theme -- "Making Progress with Partnership," and highlight examples of industry/FAA cooperation.

In the last year and a half, we have enjoyed dialogue with our industry counterparts that is paving the way for future cooperation.

Traditionally, the FAA has been very conservative -- very "today" oriented. Our energy, as an agency, is consumed with day-to-day operations...running the best and safest aviation system in the world.

By comparison, the long-range system has had a difficult time competing for the agency's attention. This is changing. We now realize that our agency's responsiveness to the aviation industry depends to a large extent on our ability to anticipate aviation's transformation over time.

FAA planners, working together with our customers and stakeholders, are identifying actions to transform the way we do business...to change our procedures, standards, and training...to take maximum advantage of the technology we have today and get a jump on emerging technologies...to influence the factors that will influence tomorrow's air transportation system.

Perhaps the most fundamental factor is the President's Aviation Inititative. The goals of this program - to revitalize domestic aviation...promote international trade and competitiveness...build up our airports...enhance safety...and integrate aviation into the National Transportation System, are goals the aviation industry has rallied around for months. And we now have the momentum to make hard decisions. We are supported by an Administration that recognizes their role in creating opportunities for aviation growth.

One of the most far-reaching recommendations in the President's National Aviation Initiative is the proposal to re-invent the FAA's air traffic control services as a government corporation.

Our aim is to create a corporation unhampered by cumbersome rules governing procurement, financing, and personnel. This new business-like organization will allow us to upgrade equipment much faster...to hire people when we need them...and to put them where we need them.

This corporation isn't about lowering our safety standarsds---its about raising them. It's not about denying access--it's about creating capacity.

And it's not about raising costs--it's about making it less expensive for all users of the airspace. If we could start from scratch to design an organization perfectly geared to cope with the forces of change that are reshaping our industry...what would make the most sense?

The answer is a corporate structure similar to the one that is being unveiled officially on May 3.

It will be a corporation subject to the same strict regulatory oversight the FAA has long exercised over aircraft manufacturers and airlines in the private sector. There is no reason to assume that the FAA could not regulate, just as effectively, the safety

performance of controllers who are employees of a government corporation.

While the outward form of our system of air traffic management will likely change to better meet the demands of a changing environment, the core of the system -- our commitment to the highest standards of safety -- will remain as uncompromising and constant as ever.

Meanwhile, just as the aviation industry continues to change as it searches for strategies suited to the economic realities of the 90s, FAA has likewise set on a course to become more strategic. We have spent the last year and a half working significant issues with our industry counterparts.

Together, we have been successful in completing such landmark achievements as the development of an operational plan for the agency, development of a strategic plan, implementation of a strategic planning process in our Airways Facilities organization, and development of a strategy to encourage growth in general aviation, among many other examples.

Perhaps the one closest to home is the FAA/industry joint management team. Co-chaired by Tom

McSweeney from FAA and Mike Rioux (pronounced Ree-ou) from ATA, the team exemplifies an operator/manufacturer/regulatory partnership to provide for a safe, cost effective, and global air transportation system.

In today's environment, we cannot afford to ignore the global environment. This team recognizes that, and will focus on the joint global challenges that we need to address over the next two years.

The team will work to develop and implement a more efficient and effective airworthiness system. They are looking at novel ideas such as what could be delegated to industry without compromising current safety levels.

And perhaps most importantly, the team is forging a process for doing business together including issue identification and a way to surface those issues; collaborative problem solving, and developing a mechanism to put into place decisions and solutions.

I'm pleased by this team's effort and I believe we have been paving the way for this for some time. I'd like to tell you about some other endeavors at FAA that prompt me to say this.

About two years ago, the FAA embarked on a journey to develop an operational plan. Many of our organizations had a plan of some sort that described their direction for a year or a few, or perhaps, in one or two cases, into the next century. These usually focused on human factors or research and development. We had, however, no cohesive operational plan. We are changing that.

After completion of a very basic draft, developed by the Operational Planning Management Team (or OPMT) the agency held several "challenger" sessions during which industry representatives were asked to challenge, literally, the future system schematic set forth in the draft operational plan.

The system was by no means locked in - we were asking for a reaction to our early thinking on the subject of a future operational concept. We were still putting the building blocks in place, and you were asked to participate.

This is the first time that I can remember the agency taking such a step. The sessions, themselves, as well as their output, represented a significant departure

from FAA's traditional approach. What is unique about this early government/industry cooperation is that our industry counterparts were helping us to build something, rather than reacting to a fait accompli.

Building on the protocols established with the agency's Operational Concept, we then set about to develop a new strategic direction for the agency. Clearly, for a strategic plan to have value, we believed it must be done in partnership with the aviation community we serve.

Our motives were not completely altruistic. The economic realities of the aviation industry, combined with deficit and budget issues facing the government compelled FAA to adopt a fundamentally new way of doing business. Part of this new approach was development of a strategic plan.

We invited close to a hundred industry representatives to join the agency's senior management team. Our charge was to develop a consistent road map for the future. We asked you to tell us what we needed to know to prepare us for this critical task.

And tell us you did. The first challenger session was held last summer. The results of this session helped solidify the agency's direction, embodied in a list of specific and measurable goals and objectives. A follow-up session was held in October during which we discussed specific goals. At the October meeting, we again asked for your feedback and your comments were incorporated into the final product. The result? A final strategic plan that describes agency direction for the next several years. The Administrator will unveil the final strategic plan on April 28 at the National Aviation Club.

The agency is already hard at work on the goals set forth in the plan. And we've added a new element this time: accountability. Senior managers at the agency are asked to review their progress toward accomplishment of goals periodically for the Administrator. Our level of commitment goes to the very highest levels in the agency.

In another landmark example of cooperation, the Flight Standards Service just issued the agency's revised General Aviation Action Plan (GAAP). This isn't just an FAA plan. It was developed jointly with a coalition of eight trade and industry associations that represent General Aviation's interests.

The plan addresses five broad concerns of the general aviation community, including: safety and certification services, product innovation and competitiveness, system access and capacity, and cost.

Again, FAA's motives were not wholly altruistic. The Plan acknowledged general aviation's importance to not only the nation's transportation system but to its economy as well.

The FAA, continuing to respond to requests from local industry representatives convened a forum in Kansas City where the industry and FAA could further discuss the state of general aviation and what could be done to help it.

Attendees at this May 25, 1993 meeting came up with a "grocery list" of concerns and issues that required change. This meeting was followed by another in September, during which the most senior level management of FAA was represented -- an indication of commitment from the most senior levels in the agency.

It was here that general aviation and FAA sat down and talked with each other as if, well, as if they were hangar flying. It helped convince everyone present that they were working for the same thing. A whole host of recommendations came out of this session, including such things as a recommendation to distribute NPRM's to the public for comments in a timely manner and automate the process so that NPRM's go to the part of the industry best qualified to comment and a recommendation to improve the certification process by eliminating artificial constraints, expanding delegated certification authority, and allowing more flexible means of compliance. Not rocket science, perhaps, but solid, down-to-earth recommendations that will result in a new way of doing business.

What was the bottom line outcome? Some of the recommendations from the Kansas City General Aviation Conference have already been incorporated into the annual management plans for all of Flight Standards. More of the recommendations were incorporated into a revision of the General Aviation Action Plan, which was signed by the FAA Administrator on April 7.

As former Central Regional Administrator Jim Haight said at the end of the forum, "Aviation symbolizes humanity's continual striving to reach beyond our grasp. We can't let the dream die." We won't.

Together, industry and FAA continue to shape the future in still more ways. Let me give you another example. The Airways Facilities organization, responsible for maintenance of the National Airspace System, began a strategic planning process as early as 1992. As their process developed, the need for getting their "stakeholders" involved became apparent. They invited representatives from ATA, AOPA, ARINC, RTCA, TSC, DOD and elsewhere for a discussion during which industry participants were encouraged to provide their perspectives on Airways Facilities. The AAF senior management team was also present at this meeting.

At subsequent meetings, AAF stakeholders were asked about what programs they support or not support. They were asked to describe major political, economic, social, and technological forces and trends that, in their view, may affect AAF's ability to provide services in the future.

AAF has already had 3 such stakeholders meetings. They have initiated a dialogue with industry that will help shape their future.

The Aircraft Certification Service set about to change the way it does business as well. They were interested in meeting their customers need in a more proactive, cost efficient way.

Along came the Vice President Gore's National Performance Review, asking government to conduct its affairs in a more business-like fashion. That's all the encouragement the Aircraft Certification Service needed. Keeping their eye on safety, they are looking at issues like responsiveness to customers, cost measurement and accountability; efficiency ; single point accountability (gone will be the layers you have to wade through to get a single answer to a single question); empowerment of the work force; focus on critical priorities; standard application of requirements; and clear lines of management and communication.

I don't want to upstage this group, but I can tell you they are exploring the idea of a Product Certification Office (PCO) and an Aircraft Certification Service Office (ACSO). These are not just new acronyms.

The objective is to provide "full service" in one place -- one stop shopping, if you will.

PCOs would provide regulations and policy to major companies and industry organizations for single product types. For example, major Part 25 programs would be managed out of a transport airplane PCO.

ACSOs would provide field approvals, support to our flight standards organization for repair stations, supplemental type certificates, parts manufacturing authority, and technical standard orders on a more geographically distributed basis. They would also serve "walk-up" business at key sites throughout the world for all product types.

The teams that are working these issues will report their results by June. You can look forward to a more streamlined certification operation soon thereafter.

The stories of government/industry cooperation goes on and on. We are working with industry, for example, to develop guidelines and criteria for safe operation of portable electronic devices on board aircraft.

We are looking at ways to increase capacity at airports nationwide through the use of Airport Capacity Design Teams. Membership includes representatives from airport operators, air carriers, the aviation industry, and military representatives. ATA is working with us, as is ALPA, NBAA, and AOPA. These groups have already achieved success in Minneapolis/St. Paul, Dallas/Fort Worth, Seattle, Atlanta, and elsewhere.

I am here today to tell you that you can expect a lot more from FAA than you have received in the past. From the many examples I described today, you can see that we are no longer operating in a vacuum. The stimulus for our changing style has been some pragmatism, and perhaps a bit of vision.

My challenge to this group today is that while you can expect more from us, you have to give as you have given, and perhaps more. Our aviation system can no longer sustain independent groups, whose priorities are at odds with one another.

We must work together, solve problems collaboratively, and design solutions that will carry us into not only the next century, but next year!

I look forward to our continued partnership.

DRAFT REMARKS FOR MONTE BELGER
EXECUTIVE FOR SYSTEM OPERATIONS
ASIAN PACIFIC AMERICAN HERITAGE AWARENESS MONTH
FAA HEADQUARTERS
MAY 3, 1994

- It's a pleasure to participate in today's opening ceremony of FAA's celebration of Asian/Pacific American Heritage Month. The Administrator and Deputy Administrator both had commitments they couldn't get out of, so I am happy to pinch-hit for them.

- It's good to see so many FAA employees here for this kickoff. I hope you continue to participate in activities throughout the month.

- The last several years have shown the importance of diversity in the work place, all across the country. We have found that a good tool for promoting a greater appreciation for diversity is learning more about the heritage of all ethnic groups.

- And the Asian/Pacific community is a critical component of the tapestry we call America. When it comes to diversity the Asian/Pacific community has written the book. Within the Asian/Pacific community there are at least 25 different nationalities. Their origins can be traced to the Far East, Southeast Asia, the Indian subcontinent, and the Pacific Islands - this includes China, India, Japan, Korea, Viet Nam, the Philippines, Hawaii, and Samoa.

- There is a strong shift toward activities in the Pacific Rim. Manufacturers of commercial aircraft anticipate a tremendous growth in the Asian Pacific market over the next 20 years.

- Our own forecasts show that international enplanements will increase an average of 6.5 percent over the next twelve years. Most of the growth stems from markets in Latin America and the Pacific Rim.

- By the year 2050, Asia will account for 35 percent of the world's population.

- Here at FAA, there are 1,280 Asian/Pacific Americans. They make up 2.4 percent of the FAA work force. We're a little below the national average; the Asian/Pacific American representation for the U. S. civilian labor force is 2.8 percent.

- While we are moving in the right direction, the majority of Asian/Pacific Americans in the FAA are males, and we need to increase the number of Asian/Pacific females in the FAA. Unfortunately, due to the strict hiring freeze we can not increase the absolute number right now, but can make more opportunities in management and supervisory positions available.

- As a result of the buyout, the agency will need to backfill some mission-critical positions.

- Despite downsizing and reengineering, there has never been a more opportune time for women and minorities in this agency.

- Management in the most senior levels in the agency and Department are committed to make a "diversity statement" by the selections that will be made this year.

- The Asian/Pacific American community will open a Cultural Diversity Library in the Office of Civil Rights - the first of its kind in FAA history - on May 11. Selections for the library were donated by special emphasis groups in the agency.

- Again, I would like to commend the group for continuing to educate us year after year about their rich heritage as well as contributions Asian/Pacific Americans make to the FAA and to the world.

Thank you.

Orange County Economic Summit
Friday, October 21
Luncheon Speaker

You've all heard about the momentous changes taking place in federal agencies across the country. Words like restructuring and streamlining are becoming common as the government comes under close scrutiny. Well, I can tell you that there are some very real changes taking place, and I'm proud to say that the Federal Aviation Administration is way out in front in our efforts to contain costs, while being more productive and responsive.

Spurred by the Vice President's National Performance Review, we are taking a serious look at streamlining our organization, it's activities and processes. We recognize that to achieve long-term streamlining goals, we must radically change the way we perform our fundamental functions. We will accomplish this by reengineering many of our business processes. In our Human Resources, Budget, Accounting, Airports, Flight Standards, and Information Technology organizations, actual reengineering work is already underway.

Throughout the FAA, authority is being delegated to the lowest levels possible; organizations are being flattened, with fewer layers of management between senior managers and employees; and FAA will take advantage of the many technological advances that will allow the consolidation or centralization of processes and services for better

product delivery and efficiency. At the same time, we have plans to reduce staffing by 12% over the next few years.

The themes of work force empowerment, flatter organizations, fewer levels of review, and careful consolidation and centralization frame a new way of doing business for the FAA--one that anticipates perhaps the greatest change of all...

In 1993, the National Commission to Ensure a Strong Competitive Airline Industry made policy recommendations about the financial health and future competitiveness of the U. S. airline and aerospace industries. The commission recommended a major restructuring of the Federal Aviation Administration. They believed that to ensure the timely and efficient implementation of state-of-the-art technology for the operation and funding of the air traffic control system, the FAA must be established as a independent government corporation and removed from the federal budget process. The National Performance review also recommended the establishment of a corporation to provide air traffic control services.

When we talk about the establishment of a corporation we are not talking about the performance of the current air traffic control system.

The U. S. air traffic control system is, for the most part, highly successful by any reasonable standard of measurement. It's generally acknowledged to be the best in the world--the world's standard for excellence. FAA Air Traffic Control facilities safely handle well over 100

million operations per year. That means on a typical day, air traffic control personnel handle an estimated 170,000 takeoffs and landings.

The U. S. air traffic control system has played a major role in helping the United States aviation system compile a remarkable safety record. Every major indicator reveals that the system is safe and getting safer every year.

This might seem like a strange thing to say in the wake of two major airline accidents within a short three month period. But, it's important to keep in mind that before the Charlotte crash, we had gone 27 months without a major airline crash in this country. As one MIT professor recently stated: airline crashes are so rare that "roughly speaking, if you were to board a jet flight at random every day, it would take 26,000 years on average before you succumb to a major crash."

Some may ask -- and some already have, "If the current air traffic control system is so successful, why change it? I would answer this simply by saying that it is a better way of doing business.

The corporate world is filled with examples of companies who just ten years ago were satisfied with the status quo, who wouldn't see beyond the horizon and are now out of business or struggling to stay alive.

We are in a similar position with today's air traffic control system. The question is not whether the system can meet today's aviation needs. It can and does -- despite many entrenched bureaucratic obstacles.

The real question we need to address is whether the air traffic system, as it is currently structured, can provide the highest level of service and safety ten, fifteen years down the road.

Since 1955, air travel increased from 37 million passengers to just under 500 million today. We had 40 years to accommodate this solid, steady growth. We don't have that luxury today.

By the turn of the century -- just six years away--the system will have to accommodate an additional 300 million passengers per year. This means that for every ten passengers who fly today, we will have to find room for six more.

And, by the year 2020, our air traffic control system, our airlines and our airports will have to accommodate one billion passengers a year -- or twice as many as today.

This challenge is compounded by some very sobering budgetary considerations.

Over the years, especially since the creation of the Airport and Airway Trust Fund in 1970, the FAA has generally fared well in obtaining the necessary funds to operate, maintain, and improve the National Airspace system. This is changing too, however.

FAA's appropriations for this fiscal year are less than for the year that ended last week. This is not a temporary aberration. This is the way things will look for the foreseeable future. Our current budget projections show no increase at all for FAA through 1998.

What this represents is a real decrease in purchasing power to meet the operating and capital needs of the system at a time we are experiencing major growth in air traffic.

This budget outlook makes it all the more imperative that we find ways to operate more efficiently and more economically. The proposed U.S. Air Traffic Services Corporation provides a better organizational structure to guide us through this period of growth and challenge.

Why recommend an air traffic services corporation?

Both the National Performance Review and the Commission Report recognize that an independent ATC corporation could improve our performance by giving the FAA more flexibility in three major areas -- budget, personnel, and procurement.

We recruit our employees by the same archaic civil service system that was designed for 8-hour-a day office workers in government bureaucracies, despite the fact that the large majority of FAA employees are involved in designing, operating, and maintaining the complex, 24 hour a day service of air traffic control.

High tech systems can be technological relics by the time they are installed, because it takes years to make even the most simple, straightforward purchases.

These roadblocks have hampered the overall effectiveness of the FAA for many years. I see little reason to be optimistic that these problems can be resolved within the framework of the Federal bureaucracy. That's the rationale for guiding our design of a new corporation for air traffic control services...one which is free of cumbersome rules governing personnel, financing, and procurement.

Let me give you some specific examples of what I mean, beginning with the often high profile problems of procurement.

There are numerous restrictive federal laws and regulations that govern our procurement decisions. No doubt all these procurement rules started out with the intention of correcting past abuses and corrupt practices. But over the years, in our zeal to guard against malfeasance, 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 process. Take, for example, the statutory competitive bidding procedures. Competition is both necessary and desirable. The steps in the process --writing the specifications, synopsizing the requirement in the Commerce Business Daily, developing an evaluation plan, and preparing a detailed solicitation document can take anywhere from 2 to 5 years before we award a contract. And if we're buying something that

involves computers or software, we first have to ask the General Services Administration for a delegation of procurement authority, submit written reports until the contract is finally signed, and meet other time consuming requirements along the way. When you think about how many computer products we need for new ATC systems, you can imagine how much time this adds to the process. Rigid regulations also prevent us from taking advantage of special savings which are readily available to everyone else. Discount stores may offer rock-bottom prices on personal computers, but we normally can't buy there.

I could go on but suffice it to say that the laws and regulations form too dense a thicket to be cleaned up with a little pruning here and there. The best solution is a government corporate charter that provides a total package of procurement reforms, and one which will allow us the freedom to use the best business practices.

The restrictions of the Federal budget process also impose severe constraints. It's not just the amount of funding we receive. It's also the limitations and restraints on how we can use them. Relief from these would permit us to manage acquisition programs around a well-defined mission...not the annual appropriations process. It would enable us to make the best investment decisions based on available funding and capitol requirements. And it would provide a predictable, stable revenue stream on which to base long-term decisions and operate in an efficient manner.

Our current Federal personnel policies make it very difficult to quickly hire the people we need, promote and reward them for exceptional performance, offer inducements for them to stay, and assign them to locations where their skills are most required. Due to federal personnel policies and regulations, it is difficult to recruit people who are highly valued in the job market...especially those who graduate with honors from top schools or who possess highly specialized skills which are in great demand.

Rigid hiring and personnel practices are a major hurdle to improved productivity in government. A separate, independent corporate structure could give managers far more flexibility in matching people to jobs...and jobs to the changing requirements of the organization.

These considerations have led to the recommendation by the Commission and the National Performance Review to spin off ATC from the FAA into some form of corporate entity. A number of other countries have begun to do precisely that, including New Zealand, Switzerland, Germany, and South Africa, among others.

The corporation will have a more business-like operation, and we expect to see a reduction in cost of maintaining ground based navigation and surveillance systems.

All users of the national airspace system will continue to enjoy access to the system.

Some have questioned whether the system will remain as safe as it is today. As I've said before in other speeches before other audiences, "Our aim is to create a corporation unhampered by cumbersome rules governing procurement, financing, and personnel. This corporation isn't about lowering our safety standards -- it's about raising them. It's not about denying access -- it's about creating capacity. And it's not about raising costs -- it's about making it less expensive for all users of the airspace."

FAA will retain the authority for issuing ATC safety regulations, and the FAA Administrator will continue to be the final authority on matters affecting ATC safety.

Funding for the corporation will be provided from fees charged to commercial users of the air traffic control system. The airport improvement program will continue to be funded via remaining aviation taxes through FAA. ATC assets will be transferred to the corporation at no cost (already paid for by users) while the corporation will be able to borrow long-term from the Treasury or private markets.

Where are we today on ATC restructuring?

A committee of Administration experts has developed a detailed plan for restructuring ATC services as a government corporation, which was submitted to DOT Secretary Frederico Pena in April 1994.

On May 3, Vice President Gore and Secretary Pena announced the Administration's proposal to create an ATC government corporation. Since then, informal discussions have continued with members of Congress, congressional staff and industry representatives. It's no secret that some members of Congress have voiced their concerns about the viability of an ATC corporation. Legislation enacted in May required the Department of Transportation to study ATC reform without removing ATC from FAA.

We are preparing legislation that would create an ATC corporation for presentation to Congress early next session. The corporation is still a top priority. We have been refining and improving recommendations to separate air traffic control from FAA by giving industry and key members of Congress an opportunity to discuss and react to the proposal. The corporation is a good proposal that gets better with consultations. As the draft legislation is circulated, it will reflect a refinement of the basic principles of reforms. The past months have resulted in a better, sharper proposal. The Department's aim is to reflect and balance the views that have been heard throughout the summer.

Searching for new ways to expand airport capacity is one of the major challenges being tackled in the agency as well. Our national aviation forecasts, which are as conservative as they are reliable, predict that, within the decade, air travel in the United States will increase 60%.

A little closer to home, FAA terminal area forecasts project a 30% increase in the number of passengers at LA International by the year 2003.

John Wayne expects similar growth in the number of passengers. Forecasts predict a 57% increase by 2003, while at Ontario International, a 102% increase is expected.

Burbank-Glendale-Pasadena and Long Beach also expect increases in both number of passengers and aircraft operations by the year 2003.

Providing for this surge of new travelers is a challenge we are going to be hard-pressed to meet. Not because of a shortage of seats on our carriers...or because the sky is so clogged that our air traffic control system begins to falter under the workload. The most serious potential problem in meeting the demands on aviation in the coming years will be inadequate capacity of our major airports, and the great difficulties we face in trying to enlarge this capacity.

Administrator Hinson announced recently that he has named FAA Assistant Administrator for Airports Cynthia Rich and me to lead a high level group to accelerate the development of capacity initiatives. Our task will be to re-examine the entire spectrum of responsibilities involved in the management of our national airport system. Given the many environmental, legal and financial issues which can stall new airport development, airport openings may, for the most part, become an event of the past.

We are looking at expanding capacity at already existing high volume airports. We cannot rely solely on new air traffic control technology and must come up with new ideas for planing and financing airport expansion. On September 28, FAA announced that it would award an additional $950 million in nationwide aviation grants by the end of September. A major portion of the funds has been committed to build

runways--a vital link in adding greater takeoff and landing capacity at large hub airports.

Additional runways are being funded for Dallas/Fort Worth; Salt Lake City; Philadelphia; and Phoenix. Major runway reconstruction is being funded at Orlando and Kansas City. These grants will help the nation meet its growing air transportation needs.

This investment in our airports comes at a critical time. In additional to new runways and aprons, Airport Improvement Program funds will finance a variety of airport improvements. These include projects such as a safety overrun extension at New York's LaGuardia Airport's main runway. Earlier this year, FAA awarded $2.5 million for this construction. An additional $11.8 million will be provided to complete the project. AIP funds will also be used to buy fire trucks, add standardized airport surface signs and lighting, and reduce the impact of aircraft noise on homeowners by soundproofing schools and homes.

The $950 million was the second round of FAA airport grants in fiscal year 1994. Last June, the agency obligated some 586 awards totaling $740 million. This fiscal year, we expect to award a total of $1.69 billion in AIP funds from the Aviation Trust Fund.

Taking the lead to expand local airport capacity is by no means free of risk. Public support cannot be counted on over the long life-span of a project. By the time it is completed, acrimony and accusations have often destroyed whatever good will existed at the beginning.

As the situation stands today, legal disputes, environmental regulations and financing problems can stall an airport project for years. Community opposition can stop airport development in its tracks.

But the threat posed by inadequate airport capacity strikes to the heart of our system.

Two things are clear: the importance of new ideas for financing the needed airport expansion and the need for a redefinition of the federal role in national airport system planning and development.

Let's talk about money first.

Don't expect much growth in the federal share of support for airport development. We will be looking for ideas about how to make the best use of what we have. FAA, in concert with the Department, is looking at several approaches to innovative financing. These include loan guarantees, loan insurance, a revolving loan fund seeded with money from the Airport Trust Fund, and steps which would make it easier for airports to secure loans from private lenders by pledging land or the revenue from passenger facility charges. Our goal is to leverage existing resources to provide assistance to airports where lack of capacity affects the entire national airspace system.

We know that adding a single runway today can cost as much as we once paid to build an entire airport facility. It cost $415 million for the new runway at Dallas-Fort Worth. That's about $35 million more than the

total original expenditure to build Idlewild -- a forceful reminder of the combined impact of inflation and constantly rising costs.

Salt Lake City had to spend $120 million to build its new runway, while the cost at Philadelphia reached $215 million. Still, that's less than half the $500 million it will cost for the new runway at Seattle.

In the 1994 authorization bill, Congress mandated that the Department of Transportation look at innovative approaches to financing airport development. This study is now well underway, building on earlier work already done within FAA.

It's already clear that there are several options for leveraging the funds we have to help create even greater returns.

There is a strong argument for encouraging airport authorities to do land banking by buying up suitable property now for the eventual building of new runways and even new airports. An airport's land bank is itself a valuable asset which can be converted into a new source of revenue. But there are impediments which have to be eased before the private sector can be confident that its investment will not be put in jeopardy by some future federal intervention.

We've also come to realize that we're not tapping the full potential of the passenger facility charge.

While PFC's provide a steady flow of revenue, airports have been unable to obtain loans secured solely by PFCs -- principally because the financial community is aware that the FAA can terminate collection of the charges if we discover that the funds are being misused.

Not all airport authorities find it difficult to obtain financing from private lenders. For those who do encounter obstacles, should we look for ways to offer various credit enhancements -- perhaps through federal loan guarantees or the purchasing of credit insurance, if steps such as these will be a more effective way of encouraging investment?

Should we sent up a revolving loan fund, seeded with money from the aviation trust fund? That's another option we are exploring.

We don't yet know which of these many possibilities will survive close scrutiny and take the form of specific recommendations to be submitted for Congressional consideration. Our aim is to provide selective assistance to those airports where lack of capacity has a system-wide impact. There is no inclination, however, to establish another broad entitlement program for airports. At our largest airports, for example, most of the development --some 90% or so--is now and will continue to be privately funded.

It is obvious that many of the problems of airport capacity are problems associated with a mature airports system. And new airport openings will become increasingly rare events in this country--which means that the emphasis must turn to expanding capacity at already existing high

volume airports. Much of our innovative technology is designed to do just this. New approach procedures, precision runway monitors, and final monitor aids can keep a runway open under weather conditions which once might have forced its closing. Independent approaches for dual parallel runways yield 40% higher airport capacity than dependent approaches. Fifteen of our 33 busiest airports have this capability. Triple independent approaches --which the new Denver airport will be able to handle--can generate 50% higher capacity.

Dallas-Fort Worth will soon handle simultaneous quadruple approaches. But the remaining 15 high volume airports are limited to a single runway during instrument flight rule weather conditions. And some, like Newark, LaGuardia, and San Francisco, are among the busiest in the nation. There is no question that the FAA can still do a lot to develop and deploy new tools for approach management.

Military base conversions can offer some relief as well, particularly in the Los Angeles Basin. The conversion of Norton Air Force base this year to San Bernardino International is expected to enhance capacity in the LA basin, particularly in the area of Ontario International.

March Air Force base, whose mission is being realigned, has indicated a willingness to allow civil joint use. FAA has funded a feasibility study to help local communities determine whether they should pursue joint use; the focus of the study is to assess the airport's potential for attracting air passenger and air cargo activity.

The Navy has indicated a willingness to allow joint use of Point Mugu Naval Air Station. Again, FAA funded a study which indicates a potential demand for both air passengers and air cargo services at this site; if local communities choose to pursue joint use, the study revealed that Point Mugu would have some long term benefits for enhancing capacity in the LA basin area by providing relief to Burbank-Glendale-Pasadena and Los Angeles International.

El Toro Marine Corps Air Station is scheduled for closure in 1999. FAA funded recently a study to assist local communities in determining whether or not to pursue civil aviation reuse of the airfield. The study will assess potential demand for air passenger and air cargo activity, as well as determine the existing capacity of the existing airfield. The El Toro Reuse Planning Authority, composed of the Orange County Supervisors and cities of Irvine and Lake Forest, will then prepare the overall reuse plan, using the study results as one element in their planning effort.

Depending upon if, and how, the airfield were reused, a commercial airport at this location could provide significant capacity relief to John Wayne, and could be beneficial to the Los Angeles basin by providing Orange County Residents another alternative to LA international.

And finally, Palmdale Airport, currently operated by the Los Angeles Department of Airports as a joint use facility with the Air Force, is used for commuter flights to and from Los Angeles International; if demand

materializes, however, and direct service to other locations is implemented, the facility could offer some long term capacity relief to the Los Angles basin.

But none of the most promising approaches are solutions which airports, acting autonomously, can pursue effectively on their own.

We must begin to seek greater commonality of purpose among airports, airlines, and the communities they serve -- and to think about how we weigh these concerns against the national interest in building total system capacity.

We need to step back and redefine the issues, problems, and solutions that are essential if we want an airport system that can absorb the certain growth ahead.

Our task is formidable as we attempt to tackle the daunting array of political and policy complexities which must be resolved in order for a viable strategy to emerge. The Administrator has extended an invitation to industry to participate --and I second that invitation. I hope that many of you here today will join in this effort and work to make it a broadly collaborative consultation. FAA has pledged to do business differently by involving the stakeholders in decisions that affect them. We have already begun to see the benefit of this cross fertilization of ideas, and hope to see more.