

Statement of H. Rae Scott  
Assistant Inspector General for Investigations  
Department of Transportation  
Before the House Committee on Public Works and Transportation,  
Subcommittee on Investigations and Oversight  
June 10, 1986

General Statement

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to discuss the DOT Office of Inspector General investigation of Galaxy Airlines and its president, Phillip Sheridan.

Our investigation was initiated upon a request from the Department's Office of Aviation Operations/Special Authorities Division, which is part of the Office of the Assistant Secretary for Policy and International Affairs. That request was made at the end of July 1985, following testimony provided to your subcommittee by several Department officials. On July 29, 1985, we officially opened our investigation, assigning an investigator and auditor, in order to ascertain information concerning Galaxy Airlines' financial fitness. Specifically, we had been requested to focus on the issue of whether or not Mr. Sheridan had divested himself of another airline, Consolidated Components, Inc., and an FAA-licensed repair station, Consolidated Caribbean, Inc., prior to purchasing Galaxy Airlines.

Our investigative effort to date, which included the issuance of Inspector General subpoenas in order to obtain pertinent records, produced evidence that Mr. Sheridan apparently had not divested himself of the two companies, of which he had been president, prior to his purchase of Galaxy. Both testimonial evidence and correspondence between Mr. Sheridan and the Department appear to substantiate our findings.

On January 8, 1986, we transmitted our Report of Investigation, dated January 7, 1986, to the Chief, Special Authorities Division, Office of Aviation Operations, for appropriate administrative action.

We are currently awaiting Mr. Sheridan's response to a DOT order instituting a continuing fitness investigation, issued April 7, 1986. The order directed Mr. Sheridan and Galaxy Airlines to provide information relative to its fitness for continued operation.

We consider this an active investigation at the present time. Based on the pending status of the Department's administrative action on this matter, we do not believe it would be appropriate to comment extensively on the details of the investigation.