STATEMENT OF THE HONORABLE DAVID R. HINSON, FEDERAL AVIATION ADMINISTRATOR, BEFORE THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT, SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY, CONCERNING REFORM OF FAA'S AIR TRAFFIC CONTROL SYSTEM. JUNE 6, 1995.

Mr. Chairman and Members of the Subcommittee:

Throughout government, we are examining how we can best serve the American people. This is especially true of services that affect our economy and safety. The American people want a better, more efficient government, and understand that change is necessary to reach this goal.

The air traffic control (ATC) system, operating under the constraints of a traditional government agency, is simply unable to keep pace with the industry that it very literally controls. This is the only 24-hours-a-day, 365-days-a-year government operation that is directly and actively involved in the minute-by-minute activities of an $80 billion industry. Therefore, the inefficiencies that flow from the current government structure quickly become this industry's problems.

It is estimated by the airlines that ATC system delays today cost them and their passengers in excess of $3.6 billion a year. This comes at a time when this industry is struggling to regain its financial footing. The $3.6 billion in delay costs are more than the industry has ever made in profits in a single year. These types of losses can mean the difference between an industry that can make ends meet and one that cannot.

THE NEED FOR CHANGE

In spite of differences of opinion over what should be done to address the problems of the ATC system, there is considerable agreement on the need for change. The challenge and responsibility that we all share is to ensure that the projected growth of aviation -- over 300 million more enplanements in this country within the next decade -- can be handled safely and efficiently. But, when we look at the state of today's system, and at growing passenger demand and especially at the budget outlook, we cannot assure the American people or the Congress that we will be able to provide the level of service that we have today unless we make fundamental changes to our system.

WHAT IS WRONG WITH TODAY'S ATC STRUCTURE

To be able to handle this country's air traffic safely and efficiently, we need a system that can:

1) take advantage of new technologies;
2) place and retain people where we need them;
3) be flexible enough to respond to change;
4) use borrowing to finance major capital programs; and
5) plan for the future, and be able to implement that strategy in a timely manner.

Unfortunately, as studies for the last decade have indicated, the FAA does not have those tools. First, we have a procurement system that makes it virtually impossible to keep pace with new technology. The evidence is found throughout the system.

- At Washington's National Airport, the computer that supplies critical information to controllers is a 1960's Univac.

- Virtually all of the 2300 radar displays in our en route centers are over 23 years old.
- We have more than 500 landing systems that are between 15 and 30 years old.
- We have close to 400 radars that are between 15 and 30 years old.
- Nearly all of the largest communications switches in our en route centers are over 29 years old.
- And, in an age when generations of computer technology are measured in months, we still must purchase vacuum tubes, a technology invented at the time of the Wright Brothers' first flight.

For many of these systems, the original manufacturer no longer exists. Spare parts are not available. In order to avoid shut-downs, FAA technicians must cannibalize other equipment, or go to machine shops to custom-build old technology.

Second, the personnel system is, in a word, inflexible. It is unable to match resources with real personnel needs. It makes it far too difficult to reward good work, to deal with poor performance, or to staff high-cost, busy facilities.

Third, the budget system is one that simply does not support long-term, business-like planning or timely acquisition. It is a system that requires the FAA to set aside the funds needed for a contract, even if the money will not actually be spent for several years. It is an environment in which the FAA gets its budget in over 160 specific line items, with limited ability to make changes. It is a budget process that forces the FAA to try to plan for the future without knowing how much money will actually be provided, or what strings will be attached. More importantly, as long as FAA funding is appropriated through the traditional government process, pressures to balance the

budget will make it impossible to obtain the money necessary to modernize and operate the ATC system -- no matter how much users pay into the trust fund.

To understand this fully, we must recognize that the FAA's air traffic control services are directly related to the size and activities of the aviation industry. Accordingly, as demand on the system grows, so does the cost of operating the system. But as we look to the immediate future, we see those two lines -- growth in demand and funding -- going in opposite directions. Over the next seven years, commercial airline operations are projected to grow by close to 20%. General aviation activities will grow by another 7%. But, under the budgets now being considered by the Congress, the FAA would be forced to meet this demand with budgets at least 20% smaller than today's.

That simply won't work. The result of this outlook is a system that won't be able to keep pace with demand. So, choices will have to be made: either to accept this and possibly compromise the safety and efficiency of the system, or to make major changes to the system, scaling back or eliminating many of the services provided today.

There is a third alternative, and it's the best of the three: take air traffic control out of this situation and put it on a sound business footing. The Administration's corporation proposal does this.

BRINGING ABOUT CHANGE

Over the years, both Congress and the FAA have tried to work within the existing structure to bring change. Just in the last decade, the FAA has reorganized itself over two dozen times to try to address these problems. But, clearly, those attempts have not "solved" the problems facing the ATC system.

In the last two years, this Administration has taken major and, frankly, unprecedented steps to address management problems at the FAA. In programs such as the Advanced Automation System (AAS) and Microwave Landing System we have made the tough decisions, cutting out elements that would have wasted hundreds of millions of taxpayer dollars. The top managers responsible for the AAS program have been replaced.

We will continue to work to improve management and bring about necessary change, and we have made significant progress. But internal management changes alone cannot address the fundamental structural problems facing the ATC system. That is why, as we have continued to do what we can administratively, we have also proposed to remove legislative barriers to efficiency.

ADMINISTRATION PROPOSAL

The Clinton Administration proposal specifically and clearly addresses the problems facing the air traffic control system. It would establish a wholly-owned, not-for-profit government corporation, freed from the federal budget, personnel, and procurement systems. It would be financed by users, and have the ability to finance capital programs the way any private sector company would. There would be no General Fund contribution to the ATC system, which today accounts for about $2 billion annually.

Importantly, it would leave the critical safety regulatory functions in the FAA, an agency that is fully accountable to the Congress, the Executive, and the American people.

SAFETY MODEL

Our proposal recognizes that ATC is fundamentally different from the regulatory functions of the FAA. It is modeled on the successful regulatory structure now in place for the literally thousands of corporate entities overseen by the FAA.

The safety record of U.S. aviation is the product of a partnership that recognizes the roles of government and the private sector. The reality is that government agencies just are not designed to run a business. And, in no other case do they try to. Suggestions that a corporatized ATC system could compromise safety simply do not hold up, for several key reasons. First, entirely private corporations are entrusted with major aviation safety responsibilities every day. When you take a trip, you board an aircraft that was designed and built by a private corporation, and is maintained and flown by private sector employees. The FAA regulates the safety of these corporations and employees. That is the reality of how our system works.

Second, we do not have to speculate about safety in a corporatized ATC system. A number of other countries (including the UK, which changed its structure over 20 years ago) have corporatized their systems. Even more to the point, we have air traffic control towers in this country that have been contracted out to private operators, and are operating safely and efficiently. In fact, the aviation community has supported this effort. Aircraft Owners and Pilots Association President Phil Boyer testified in support of contract towers before the House Aviation Subcommittee in February, 1995. Last December, a cross-section of aviation groups, including the National Business Aircraft Association (NBAA), sent a letter to me calling for expanded use of privatized towers. That letter makes the case well, and let me quote it.

> As you know, the safety record of this program during the past decade has been exemplary, according to the FAA and the people who fly into these smaller airports. FAA requires the same level of training and safety oversight at contract towers as at FAA-operated facilities, and individuals at these facilities have worked an average of 18 years as controllers.

Letter from John Olcott for NBAA (Dec. 21, 1994)

Small airlines, airports, pilots, and general aviation have gone on record in support of -- and, in fact, calling for the expansion of -- air traffic control facilities that are run not by the FAA, but by private sector contractors working under federal regulation. That goes beyond what we are proposing.

Third, some commenters, including the National Academy of Public Administration, have expressed a concern with "breaking up" ATC operations from the regulatory arm of the FAA, citing the history behind the formation of the FAA in 1958 as their rationale.

According to the Congressional Record, the 1958 FAA Act was prompted, in part, by a mid-air collision between two commercial airliners over the Grand Canyon in 1956. At the time, Congress found that establishment of an airway over the Grand Canyon was being delayed by a dispute between military and civilian aviation officials. In addition, at that time, the military and the Civil Aviation Administration were engaged in a dispute over navigation aid technology. Consequently, a primary objective behind the FAA Act was to "eliminate divided responsibility and conflicts of interest that exist ... *between civil and military agencies* in the field of electronic aids to air navigation." (emphasis added, cited in Congressional Record, August 4, 1958, page 16084).

Today, nearly 40 years later, that problem has been solved. Military and civilian aviation officials work closely with one another, and in fact, military aviation officials took an active role in developing the Administration's ATC corporatization proposal.

In testimony before the House Aviation Subcommittee, Dr. Clinton V. Oster of Indiana University, a noted aviation safety expert, said,

> It has not been necessary for the FAA to build, operate, or maintain aircraft for them to fly safely. Instead, very high levels of safety have been achieved through regulatory oversight. Similarly, it should not be necessary for the FAA to build, operate, or maintain the air traffic control system for it to operate safely either. Here again, very high levels of safety should be achievable through regulatory oversight.

"Restructuring Air Traffic Control and Aviation Testimony" (Feb. 15, 1995)

Fourth, it is inappropriate to suggest that the very people who make this the safest system in the world would advocate a change that would compromise the safety record that they have built. The air traffic controllers suggested this concept three years ago, and they and the system technicians have consistently echoed the calls for fundamental reform.

We have compelling proof of what such fundamental change can bring -- right in this area -- at the Metropolitan Washington Airports Authority, which runs National and Dulles airports. Until 1987, those airports were part of the FAA. They suffered from decades of underinvestment. But, in the few years since Congress "spun-off" those airports in 1987 to the regional authority, the airports have embarked on a $2 billion

capital improvement program which would have been utterly impossible under the previous status quo.

We now have an excellent opportunity to act to finally correct these problems. The Administration has put forward its proposal, and we think we have developed a solution that works. But we respect the fact that others may have different ideas about how best to address specific issues. It is time to put those ideas on the table, and get a productive dialogue under way, so that we can find a way to improve the ATC system for its ultimate users, the American people.