

STATEMENT OF THE HONORABLE FEDERICO PEÑA
SECRETARY OF TRANSPORTATION
BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE, AND
TRANSPORTATION
SUBCOMMITTEE ON AVIATION
ON S. 1239, THE AIR TRAFFIC MANAGEMENT SYSTEM
PERFORMANCE IMPROVEMENT ACT OF 1995.
SEPTEMBER 27, 1995.

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today to provide the Administration's perspective on S.1239, the "Air Traffic Management System Performance Improvement Act of 1995". Accompanying me today is FAA Administrator David Hinson.

At the outset, Mr. Chairman, I would like to thank you, Senator Ford, and Senator Hollings for the commitment and responsiveness shown by the leadership of this Subcommittee and its professional staff in working to develop comprehensive and meaningful FAA reform legislation. I salute the bi-partisan efforts of this Subcommittee to address this challenge and, on behalf of the thousands of FAA employees who contribute each day to the safety and efficiency of our air transportation system, I thank you.

When I appeared before the Subcommittee August 2 I stressed that, of the three problems we had earlier identified -- personnel, procurement, and finances --ensuring the long-term financial viability of the FAA was a paramount concern. Finding the needed resources to meet projected increases in air traffic over the next seven years, while facing declining budgetary resources under the Concurrent Budget Resolution, will be difficult. I stated that this budgetary pressure would be with us for the foreseeable future, and I pledged my efforts at that time to work with you to find a solution. During the past few weeks, my staff worked with yours in a joint effort to reach that common goal.

When I first took office as Secretary of Transportation, we undertook a comprehensive review of the challenges facing the FAA. Through President Clinton's National Commission to Ensure a Strong Competitive Airline Industry, the National Performance Review, and our own efforts at the Department of Transportation, we gained a good perspective of the fundamental underlying problems facing the FAA, as well as the industry and the passengers who rely upon its service.

There has been a tremendous change at the FAA during my administration to address the problems we confronted. I recruited an FAA Administrator, a businessman from the aviation community, who in turn has brought in new managers. As result, we have tuned around major procurement projects, such as the Advanced Automation System. We have made the agency more fiscally accountable, reducing the work force by 5,000 and paring the annual budget by \$600 million. A new streamlined organizational structure has been adopted, giving the FAA a more businesslike approach to its mission. The benefits to the industry have been great, and just when new aviation growth requires them. There seems to be a new start-up carrier every week, more Americans are flying than ever before, and after years of bleeding red ink, the airlines are beginning to report record profits. General aviation has also seen a renewal of American airframe manufacturing, vital to helping this important segment of the aviation community regain its world preeminence.

However, the challenges to meet the growing needs of the airline industry and aviation in general are still ahead of the agency, not behind it. By 2002, more than 800 million passengers per year will be flying the nation's skies--a 35 percent increase over 1995. The number of commercial operations is expected to increase by 18 percent--to approximately 28 million annually. As I noted earlier, however, under the Congressional

budget resolution reductions applied across government during the same time period, FAA's budget could be reduced 15 percent.

The challenge and responsibility that we share is to ensure that the projected growth of aviation--over 300 million more people flying each year in this country within the next decade--can be handled safely and efficiently. This is important to both the traveling public and to sustained growth in the U.S. economy. We all agree we must address these problems:

Procurement: Today, we have a procurement system that makes it extremely difficult to keep pace with new technology. I do not need to repeat for the committee's benefit the extraordinary steps required for every major FAA procurement -- steps not required in the private sector -- that can lead to lengthy delays. This has significantly slowed and complicated the effort to complete the Capital Investment Plan. S. 1239 would allow the FAA to develop an alternative procurement management system that narrows the competition to those with proven skills and background, without arbitrarily excluding qualified bidders.

Personnel: We have an inflexible personnel system unable to match resources with real personnel needs, which makes it far too difficult to staff high-cost, busy facilities, to reward good work, and to deal with poor performance. I have been in the field and visited with the controllers and maintenance workers, hearing of the arbitrary and needlessly complex factors that interfere with efficient placement and advancement of a skilled workforce. S. 1239 would provide the FAA with the freedom to design a personnel management system with private-sector-style incentives across the board.

Financing: In what is really the biggest challenge, we have a financing system that doesn't allow for long-term planning or timely acquisition. Although the FAA provides a valuable, mandatory service to a major industry in our economy, it cannot undertake the kind of capitalization needed to obtain state-of-the-art technology on an accelerated basis. The industry has clearly received more in services from the FAA than it has paid into the Airport and Airway Trust Fund up to now. But the budget process and limitations on Trust Fund expenditures prevent the industry from working with the FAA to finance new technologies and place them on-stream quickly. One goal of our efforts is to tie together fees paid by users with direct gains in system capability and efficiency.

In addition, S. 1239 appropriately demands better performance from the FAA as respects regulatory responsiveness, more efficient delivery of services, and better management. Along with this greater flexibility, there should also be greater accountability. We would be happy to discuss with you how to refine some of the governance provisions in the bill to strike an appropriate balance.

In this time of diminishing resources and increasing demands, it is crucial that we allow the FAA to manage its services and resources with a goal of saving time and dollars. Your legislation, Mr. Chairman, is a major step forward in accomplishing this goal. While provisions of the bill need additional work, S. 1239 represents great progress toward removing many of the obstacles that prevent the FAA from operating like a business.

In one area of concern, the bill has a provision requiring the Department of Defense to reimburse FAA for its use of the Air Traffic Control System. This provision raises the complex question of how the services provided to, and the costs imposed on, the ATC system by DoD should be accounted for under user-financing. The Administration looks

forward to working constructively with the Committee as we try to resolve the issue. We need to address regulatory responsibilities for aircraft emissions in the same manner.

Because of the special and unique mission of the FAA, S. 1239 specifically gives authority to the FAA to develop a modern procurement system within six months of enactment. The Administration does not intend that this special authority for the FAA serve as a precedent for other agencies.

I understand that change can be very controversial. I am sure, Mr. Chairman, that some segments of the industry, as well as others in Congress, have shared their comments and concerns with you. I would like to take a moment to briefly mention one of the more controversial aspects of your proposal.

As I mentioned earlier, aviation activity and the FAA's workload will continuously increase while budget resources decrease. There will be a funding shortfall unless immediate actions are taken. Even today, as we appear before this Subcommittee, the appropriations conferees are faced with difficult choices concerning FAA's Fiscal Year 1996 operations budget.

There is a compelling need to address FAA's budgetary challenges, both short-term and long-term. S. 1239 recognizes this, and proposes to move to a fee-based system of financing. That is obviously of concern to some in the aviation community. However, the realities of the budget demand action.

There is no question that funding alternatives are necessary. I, like you, do not take lightly asking users to help finance a 24 hours a day, 365 days a year operation that the industry and the public expect the FAA to deliver with near-perfect performance.

I want to assure you that we stand ready to work with you and industry to resolve these difficult issues. But I want to stress that meaningful budgetary reform must be provided, so that the FAA has the resources it needs and users have assurances that their fees will be spent efficiently and effectively. Financial reform that will provide adequate resources to the FAA and long-term financial stability is the most critical element of agency reform. We will also work with the committee on the longer-term innovative financing alternatives that the bill encourages.

In the event there are those who question the need to provide improved procurement, personnel, and budgeting tools to the FAA, they need only look at recent press coverage of the status of our air traffic control system. This year, the American people have heard too many stories of problems with our nation's air traffic control system. The computer glitches, power outages, and aging equipment have all been an unmistakable sign to thousands of delayed passengers and millions of others that, despite the hard work that has been done in the past two years, we need a major overhaul.

I have mentioned that the FAA will be called upon to meet significant increases in the aviation services it provides, despite the potential for dramatic budget cutbacks. Future requirements on the FAA will continue to escalate. We can either meet these requirements head-on by achieving meaningful FAA reform, or we can explain later to the aviation community and the traveling public why the costs of flying have grown, even while passengers and pilots spend more time on the ground waiting for take-off clearance; why it is taking longer to bring new aircraft and related safety equipment on line, even though the aviation manufacturing community has contributed most strongly to our balance of trade; why aviation safety regulatory actions are not as prompt as they should be, even though everyone may recognize the need for such timely action; why

new air traffic technology and equipment is not being developed and brought on line to meet increased safety and efficiency demands, even though experts may all agree on what's needed and when; and why the government can no longer provide the degree of safety surveillance and oversight needed to assure continued high levels of safety, even though everyone agrees that has been an essential element in creating the world's safest aviation environment.

We must move ahead together rapidly on reform. S. 1239 is an excellent start toward giving the agency the freedom it needs to continuously update its technology, to shift personnel more easily to where workers are needed, and to have long-term financing both to provide vital safety and operational services and to bring on new technologies of the future. Having noted that there are changes needed, the Administration strongly urges the Subcommittee to move forward in its efforts to enact meaningful FAA reform. I can assure you of our continued commitment to work with you along each step of the way.

I am confident that, working together, we can produce a product that will meet the fundamental elements necessary for effective reform. Accomplishing that objective will, over time, become recognized as the most significant aviation legislation since the Congress first acted to create the FAA in 1958. That is a potential legacy in which we should all take pride.

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