

**STATEMENT OF
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**BEFORE THE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON
TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED
AGENCIES**

APRIL 17, 2008

Good morning, Chairman Murray, Senator Bond, and Members of the Subcommittee. Thank you for the opportunity to appear here today to discuss the Administration's Fiscal Year (FY) 2009 budget request for the Federal Aviation Administration (FAA).

FY 2009 Budget

Our FY 2009 budget request of \$14.6 billion provides funding to support all critical priorities of the FAA. As always, safety is FAA's primary concern, with 67 percent of our budget request dedicated to our safety mission. (See attached chart showing our budget request in terms of agency goals). This request includes \$688 million for key research and technologies to enable the transition to the Next Generation Air Transportation System (NextGen), as well as funding to meet our hiring goals for our air traffic controller and safety inspection workforces.

The 2009 budget request assumes adoption of the President's reauthorization proposal for FAA programs and revenue streams, with user fees implemented in 2010. We firmly believe that comprehensive reform of FAA's funding mechanism is necessary, and we will continue working with Congress and our stakeholders toward a successful reauthorization that is consistent with our key principles for a comprehensive cost-based financing structure. That structure must ensure that costs and revenues are better aligned, that all stakeholders are treated fairly, and that our aviation system is ready for the congestion and environmental challenges of the future. With a more efficient revenue structure, we will be able to build on our exemplary safety record while expanding the number of aircraft that the nation's airspace can safely handle at any given time. Our proposal provides the tools we need to implement NextGen and the modern technology required to handle increased demand for aviation.

For FY 2009, we have proposed a new account structure that aligns FAA's budget accounts with its lines of business. We believe an account structure based upon agency functions makes sense both in terms of how we operate now as well as under our proposed financing reforms. For ease of understanding this approach, we have attached a "crosswalk" chart showing a comparison of our request with the current account structure.

Safety and Operations

The FY 2009 request is \$2 billion for Safety and Operations, including \$1.2 billion for Aviation Safety (AVS), \$14 million for Commercial Space Transportation, and \$851 million for Staff Offices. Most of the funds requested support the agency's activities to maintain and increase aviation safety and efficiency. The request will allow AVS to meet its mission of promoting aviation safety in the interest of the American public by regulating and overseeing the civil aviation industry. AVS consists of eight distinct organizational elements employing approximately 7,000 personnel. These employees are responsible for the oversight of the Air Traffic Organization (ATO); certification, production approval, and continued airworthiness of aircraft; and certification of pilots, mechanics and other safety related positions. The agency recognizes that this Subcommittee is particularly interested in our efforts regarding aviation safety inspector staffing. The FY 2009 request maintains recent staffing gains to our aviation safety workforce, providing for 4,110 safety inspectors, and requests an additional 30 safety staff positions for air traffic oversight. I should also note that the \$14 million Commercial Space Transportation request includes \$270,000 for four additional safety personnel needed to assess the human space flight aspects of the safety evaluations of commercial space license and permit applications.

Air Traffic Organization

The FY 2009 request for FAA's Air Traffic Organization (ATO) is \$9.7 billion, of which \$7.1 billion is for ATO operating expenses. We recognize that this Subcommittee is also very interested in our efforts regarding controller staffing. As with the safety inspector workforce, FAA is aggressively hiring and training controllers to ensure the right number of controllers are in place at the right time to address the well-documented retirement "bubble." FAA began anticipating today's air traffic controller retirement wave five years ago, issuing a comprehensive staffing plan that we update annually. Our 2008 plan was just published last month.

The remaining \$2.6 billion will support ATO capital projects, formerly in the Facilities & Equipment (F&E) account. This funding will continue to maintain and upgrade the current system, improving the aging infrastructure of our facilities, while laying the foundation for NextGen. This funding will also support important safety and capacity enhancing technology, such as Airport Surface Detection Equipment - Model X (ASDE-X), runway status lights (RWSL), and Automatic Dependence Surveillance Broadcast (ADS-B).

The ATO continues to see cost savings from the Flight Service Station (FSS) contract, which was initiated two years ago. We anticipate savings and cost avoidance of approximately \$2.1 billion over the 13 year period of the program, with \$1.6 billion of these savings achieved over

the ten years of the Lockheed Martin contract. Our network of automated flight service stations, which provide weather guidance and other assistance to the pilots of small airplanes, has been reduced from 58 to 18 — 15 previously existing facilities and three new ones built by Lockheed Martin. The contract not only saves money, it also provides incentives for the vendor to modernize and improve the flight services we provide to general aviation pilots.

Grants in Aid for Airports (AIP)

The FAA's reforms for the Airport Improvement Program contained in our reauthorization proposal are designed to target federal dollars strategically to the airports where they will have the most impact. While large and medium hub airports have a greater ability to finance their own capital requirements with revenue from passenger facility charges and their own rates and charges, small primary and general aviation airports rely more heavily on AIP funding to help meet their capital needs and complete critical projects. We have proposed changes to the Federal funding program which will stabilize and enhance these funding sources for airports. With the proposed programmatic changes, including the increase in the passenger facility charges, the \$2.75 billion requested in our budget will be sufficient to finance airports' capital needs and meet national system safety and capacity objectives. Our request also includes \$19 million for airport technology research and \$15 million for the Airport Cooperative Research program, \$5 million of which is for environmental studies.

Research, Engineering, and Development (RE&D)

The FY 2009 request for RE&D is \$171 million. The request includes \$91 million for continued research on aviation safety issues. The remaining research funding is to address congestion and environmental issues, including \$42 million for new NextGen projects such as Self Separation, Weather Technology in the Cockpit, Air-Ground Integration, and the Environmental Research – Aircraft Technology, Fuels and Metrics. The RE&D budget also provides \$14.5 million for the Joint Planning and Development Office (JPDO) to coordinate partner agency research and development in support of NextGen, and to continue facilitating the transition to NextGen, bringing this account's total FY 2009 contribution to the NextGen effort to \$56.5 million.

Controller Workforce

Our highly trained air traffic controllers play a critical role in achieving the outstanding level of aviation safety we enjoy in the U.S. Looking forward, I am dedicated to maintaining and improving the levels of safety we have achieved thus far while continuing to improve working conditions and expand the diversity of this workforce.

With more than 60 percent of the controller workforce eligible to retire over the next 10 years, FAA plans to hire more than 16,000 controllers over that period. Last year we hired 1,815 controllers, a third of them with previous air traffic control experience from the military, and ended the year with 14,874 controllers on board – 67 more than our workforce plan target. Our new plan calls for hiring an additional 1,877 controllers this year and 1,914 more in 2009, bringing the total controller workforce to 15,436 by the end of 2009. Our FY 2009 budget includes the funding necessary to carry out this plan. The last public sector announcement for an air traffic controller position closed on February 15 and generated 4,515 applications. We opened another announcement just this week. The agency is also working aggressively to build up staffing by offering a variety of incentives to recruit and retain controllers, including recruitment and relocation bonuses and repayment of student loans.

Over the next few years, most facilities will be in a period of transition and will be staffed with a combination of certified professional controllers (CPCs), CPCs-In-Training, and developmental controllers. I must stress that developmentals are proficient, or checked-out, in specific sectors or positions, and that handling live traffic is a requirement to maintain proficiency as they progress toward CPC status. While not yet certified on all positions needed to achieve CPC status, these newer controllers are highly skilled, trained, and capable of carrying out the safety mission of FAA.

To accelerate the hiring process for qualified individuals, we have implemented Pre-Employment Processing Centers (PEPCs). Individuals chosen by FAA selection panels are invited to come to the PEPCs, where they are interviewed and undergo pre-hire screenings such as medical examinations, psychological and drug testing, fingerprinting and security clearance application processes. Some recruits may now receive final offer letters from FAA in as little as one month after their interview – a process that could otherwise take up to six months. Our most recent PEPCs were held in Miami and Atlanta. A total of 200 air traffic control candidates and 40 Tech Ops candidates participated. The next PEPC will take place in Ft. Worth later this month.

The Air Traffic Collegiate Training Initiative (AT-CTI) is becoming a more significant source for hiring, providing controller candidates who have college degrees. CTI schools do not receive federal funding but are an important pipeline of recruitment for our agency. The number of AT-CTI graduates hired into controller positions has rapidly increased from 38 percent of new hires in FY 2005 to 56 percent in FY 2007. To attract qualified new employees, we are expanding the program again in 2008 to allow new schools to apply. Currently, we have 23 schools in the program – 14 original schools and nine new schools added as a result of our FY 2007 expansion, the first expansion in more than a decade. Our goal is to have up to 35 AT-CTI schools in the program graduating 2,000-2,500 students per year by FY 2010.

Veterans' programs are also a valuable source of new controllers. One-third of new controller hires last year had previous military air traffic control experience. In addition, FAA implemented the Veterans Training Program (VTP) for air traffic control specialist (ATCS) and airway transportation system specialist (ATSS) positions last August. Our first two VTP participants are currently in Academy training. One participant will be working in Louisville, and the other will be working in Tulsa, once training is complete. The Department of Veterans Affairs has also recently certified our on-the-job training program for developmentals. This certification allows developmentals with appropriate veteran entitlements under the Montgomery GI Bill to receive monetary education benefits for the training they are receiving.

Furthermore, I am focused on improving our facilities and the physical conditions under which our controllers work. Our improvement projects include modernization, sustainment, seismic upgrades, and facility condition lifecycle assessments. Projects are prioritized based on the impact of known problems in the facility, the importance of the facility to the National Airspace System, and the urgency of the sustainment need. For this year and next we will allocate slightly more than \$300 million per year for the repair, modernization, and replacement of our air traffic control facilities. These projects will include replacement of obsolete infrastructure, asbestos and mold abatement, repair of roof leaks, and plumbing improvements.

Increased Safety

Due to the combined efforts of government and the aviation community, we are fortunate to be living in the safest period in aviation history and the FAA is committed to making it safer still. In the past 10 years, the commercial fatal accident rate has dropped 57 percent, to a rolling three-year average of 0.022 fatal accidents per 100,000 departures as of the end of FY 2007. In the past three years, the United States averaged approximately two fatal accidents per year and 28 deaths per year; while any loss of life is tragic, this statistic is remarkable, given that there are roughly 12 million commercial aircraft flights per year. General aviation accidents are down. Air traffic control errors are occurring at a rate lower than in the previous two years.

Approximately 67 percent of our budget request, or \$9.9 billion, supports the FAA's safety mission to operate and maintain the air traffic control system, inspect aircraft, certify new equipment, ensure the safety of flight procedures, oversee the safety of commercial space transportation, and develop a replacement air traffic data and telecommunications system. For FY 2009, we have adopted a new safety goal: to reduce U.S. commercial airline fatalities per 100 million people (including crew) on board to fewer than 8.31 (an improvement of over 6 percent from our FY 2008 goal) and to reduce the rate of general aviation fatal accidents. Under the old metric, all accidents were counted equally, regardless of how many fatalities occurred. This new

metric is more relevant to the flying public, as it better measures the individual risk – as low as it is – to fly.

The request includes an increase of \$11.3 million to hire and train sufficient air traffic controllers to achieve our hiring targets noted earlier in my statement. It also includes \$800,000 for 30 new positions to support continued development of the Air Traffic Oversight office, which was formed in FY 2004 to ensure continued operational safety throughout the ATO. The FY 2009 budget maintains the staffing gains to our aviation safety workforce during FY 2007-2008, with total aviation safety staffing reaching 7,069 by the end of FY 2009.

In March 2007, Southwest Airlines filed a report under the Voluntary Disclosure Reporting Program (VDRP) notifying FAA of its noncompliance with a structural Airworthiness Directive (AD). The FAA's subsequent investigation revealed that between March 15, 2007, and March 23, 2007, Southwest operated the 46 affected aircraft on 1,451 additional revenue flights when it knew that it had not conducted the repetitive inspection required by the AD – making the planes not airworthy. These violations were deliberate and led to the initiation of enforcement action against Southwest Airlines resulting in a civil penalty of \$10.2 million announced on March 6, 2008.

The on site principal maintenance inspector for Southwest Airlines, an FAA employee, was aware at the time that Southwest was not in compliance with the AD. He had a clear responsibility to act and fell short of that responsibility. He has been reassigned to a different position pending further investigation and personnel action. Additional personnel actions are also in progress.

Since then, AVS has held a Managers Conference and an organization-wide Town Hall meeting to emphasize the importance of open and timely communications about all safety issues. We are undertaking a five point plan to refine our programs and ensure more accountability in our processes. As part of the plan, we will be implementing a Safety Issues Reporting System (SIRS), improving the VDRP to ensure awareness of reports at high levels of management in both FAA and the airlines, and clarifying and upgrading our AD processes. Furthermore, we have initiated a review of AD compliance, with initial results demonstrating 99 percent compliance. We expect to complete this in-depth review in June. While our safety record indicates this is not a systemic problem, we are always open to working with industry and Congress to make our safe system even safer.

Another major component of aviation safety is runway safety. FAA has made runway safety a focus since 1999, and the aviation community has made great progress over the years in improving runway safety. In FY 2007, we met our performance target of 0.530 per million

operations for the most serious runway incursions, Category A and B, and ATO's goal is 0.450 per million operations by 2010. Over the past 6 years alone, we have reduced the number of serious runway incursions by more than 50 percent.

Last August, more than 40 representatives from a cross-section of the aviation industry agreed to an ambitious plan focused on solutions in improving cockpit procedures, airport signage and markings, air traffic procedures, and technology. The Call to Action plan committed the group to a list of five short-term actions that could be completed within 60 days. These actions included upgrading runway entrance markings, improved training programs, development of an Air Traffic Safety Action Program (ATSAP) to encourage voluntary reporting, and reviews of surface operations and cockpit procedures. Since then, all of these actions have either been implemented or are on schedule, and the operational reviews have resulted in more than 100 short-term and numerous mid- and long-term initiatives.

The FAA has spent more than \$404 million to date to acquire and deploy the next generation of ground surveillance technology, known as Airport Surface Detection Equipment — Model X (ASDE-X). The FY 2009 request for ASDE-X reflects FAA's commitment to accelerate the entire deployment schedule for completion in 2010 instead of 2011. ASDE-X systems at 12 airports are fully operational and all remaining 23 ASDE-X systems are in various phases of the implementation process. Funding for each of the six phases of the ASDE-X implementation process is usually required prior to beginning a new phase. Funding has already been obligated for the system hardware, all planned software development, and system enhancements for all 35 sites.

Runway status lights (RWSL) are another system being deployed to reduce the potential for runway incursions. The RWSL system, which was developed as a result of the NTSB's "Most Wanted" list of safety improvements, integrates airport lighting equipment with approach and surface surveillance systems to provide a visual signal to pilots indicating that it is unsafe to enter, cross, or begin takeoff on a runway. Airport surveillance sensor inputs are processed and command in-pavement lights to illuminate red when there is traffic on or approaching the runway.

The system is currently in operation at Dallas/Fort Worth (DFW) and San Diego airports. Recently, agreements have been signed with two additional airports, Los Angeles and Boston, to provide them with an early RWSL capability. RWSL equipment for the two airports will be installed and operational by March 2009 and December 2009 respectively. Further RWSL test installations are under consideration. At DFW this past February, a plane was cleared for take-off, while at the same time air traffic control cleared another aircraft to cross that same runway

on a taxiway. The first plane did not initiate its takeoff roll, because the pilot “saw the red lights” of the RWSL System. In all, DFW has seen a 70 percent reduction in runway incursions since the technology was installed on one of the airport’s seven runways. The FAA has already spent nearly \$25.8 million on this initiative and will spend another \$8.7 million in FY 2008. Our current plan includes \$27 million for FY 2009, in line with the Administrator’s Call to Action goal of program completion by FY 2011.

To further increase runway safety, we are helping airports build end-around taxiways, which allow aircraft to avoid crossing an active runway. The first opened at Atlanta last year and has eliminated 612 runway crossings per day. We anticipate the opening of another taxiway at Dallas/Fort Worth in December. We are also making progress improving Runway Safety Areas (RSAs). RSAs enhance safety in the event of an undershoot, overrun, or excursion from the side of the runway. In FY 2000, FAA started an ambitious program to accelerate RSA improvements for commercial service runways that do not meet standards. We developed a long-term completion plan that will ensure that all practicable improvements are completed by 2015. Significant progress has been made and 63 percent of the RSA improvements have been completed. By the end of 2010, 88 percent of RSA improvements will be complete.

Increasing Capacity

The aviation industry is critical to our nation’s economy. Over two million people a day travel on our nation’s airlines and more than one-third of the value of all goods is moved by air. Passenger traffic now exceeds pre-9/11 levels at most of the nation’s top airports, and is expected to grow to over a billion passengers by the middle of the next decade. By 2014, without any changes to the system, we expect to see delays 62 percent higher than they are today.

To achieve an on-time arrival rate of more than 88 percent of flights in FY 2009 and to increase average daily capacity at major airports, FAA requests \$3.7 billion. This includes funding to replace obsolete radars and to continue automating terminal control facilities, as well as \$21 million for oceanic automation to improve flight route flexibility. Programs that will form the core of NextGen are also part of this request, including \$41 million to develop an internet-like System-Wide Information Management network and \$300 million to continue implementing the Automatic Dependent Surveillance Broadcast (ADS-B) system. \$1.3 billion of the Airport Improvement Program request is aimed at reducing congestion, largely through the construction and maintenance of runways.

In the last seven years, 13 new runways (more than 20 miles of new runway pavement) have opened at some of the nation’s most capacity-constrained airports. These runways provide the potential to accommodate 1.6 million more annual operations and decreased average delay per

operation at these airports by about 5 minutes. Approximately one-third of the \$5.3 billion cost of these runways has been covered by Airport Improvement Program funding. Three more runways will open later this year, at Seattle-Tacoma, Washington Dulles, and Chicago O'Hare. In addition, there are five other airfield projects (two airfield reconfigurations, one runway extension, one end-around taxiway, and one centerfield taxiway) under construction. These projects will be commissioned by 2012 and will provide these airports with the potential to accommodate an additional 400,000 annual operations.

Aviation delays escalated in 2007, particularly in the New York area. Demand for air carrier access at LaGuardia and John F. Kennedy airports has historically been managed by the High Density Rule (HDR), which limited the number of operations during peak demand hours. The rule expired at both airports on January 1, 2007. A temporary order is in place to restrict the number of hourly operations at LaGuardia while the FAA works on a final congestion management rule for the airport. LaGuardia, JFK, and Newark airports consistently rank as the nation's three most delayed airports.

In response to the growing delays in the New York metro area, the President, Secretary Peters, and I met to discuss the unacceptable impact these delays were having on the Nation's airspace. We formed a New York Aviation Rulemaking Committee (ARC) to work with industry and community stakeholders to come up with a list of potential solutions. On December 19, the Secretary announced a number of steps being taken in New York as a result. These steps include a cap on flights at JFK, planned caps at Newark, a list of 77 operational improvements to reduce congestion in the region, and establishment of a New York airspace czar. Many of these solutions can be implemented in the short-term, but longer-term efforts such as airspace redesign and NextGen will also be required in order to provide additional capacity. To date, we have completed eight of the 77 identified operational improvements, and we expect to complete an additional nine by this summer. We are working closely with the Port Authority and our customers to prioritize the remaining 60 items, which are either long-term projects or items that are under review for feasibility, and expect to finalize the priority list this summer.

Beginning March 30, as a short-term solution, operations at JFK were capped at either 82 or 83 operations per hour, depending on the time of day. These caps will be in place through 2009 and follow the conclusion of a schedule reduction meeting we held with the air carriers and airport. Hourly limits are also planned for Newark and will be in place as soon as we have completed our negotiations with the air carriers. In addition, implementation of the latest air traffic control technology at airports in the Philadelphia and New York region is being expedited, and a permanent aviation "czar" has been appointed to serve as director of the newly-created New York Integration Office.

Our preference is to expand capacity in order to meet demand. As I have noted, the aviation industry is a major economic engine, providing support and jobs both for the country as a whole and for local communities. We need to find a way to address congestion and allocate limited space efficiently and fairly. We believe that a market-based approach provides the best outcome because it sets the right incentives for efficient use of the system. That is why we are also looking at market-based measures for solutions to congestion.

On January 14, Secretary Peters announced a proposal for comprehensive market-based changes to the FAA's Policy on Airport Rates and Charges. The amendments, if adopted, will provide airports with more tools to finance projects that reduce congestion and to encourage more efficient use of existing facilities. The amendments will allow a congested airport to raise the price of using its runways. This in turn could provide a financial incentive to aircraft operators to consider alternatives, such as scheduling flights outside of peak demand times, increasing aircraft size to use the congested runways more efficiently, or meeting regional air service needs through alternative, less congested facilities.

NextGen

Key to achieving higher levels of safety, efficiency, and environmental performance is the move to a 21st century National Airspace System. For the flying public, this investment is critical if we are to deploy state-of-the-art NextGen capabilities to safely and efficiently handle dramatic increases in the number and type of aircraft using our skies without being overwhelmed by congestion. Our FY 2009 budget request will provide \$688 million — a nearly \$500 million increase from 2008 — in support of NextGen. In the past year, key NextGen defining documents have matured. Last summer, the Joint Planning and Development Office (JPDO) released public versions of the Enterprise Architecture and Concept of Operations. In July, the initial baseline of the NextGen Integrated Work Plan was completed. The work plan lays out the progression from the present to the future, with activities and responsible agencies identified. As envisioned, the work plan would guide the formulation of future budgets within partner agencies.

The FY 2009 NextGen budget represents strong collaboration between JPDO and the new OEP — formerly the Operational Evolution Plan, and now the Operational Evolution Partnership — to define and estimate the budgetary requirements for FY 2009. That collaboration will provide oversight and track progress to ensure that NextGen objectives are achieved. This NextGen investment portfolio includes programs and activities deemed “transformational,” i.e., those that will truly move toward the next generation system. The FY 2009 portfolio consists of \$631 million in ATO Capital Programs, \$57 million in Research, Engineering & Development, and \$704,000 in Safety & Operations, for a total of \$688 million. This funding level includes \$19.5

million to directly support the JPDO: \$5 million from ATO Capital and \$14.5 million from R,E&D. This represents a significant investment in NextGen programs and reflects the Administration's commitment to comprehensively address capacity constraints in the aviation system.

ADS-B is a critical part of developing our initial capabilities in satellite-based control and surveillance. The system allows an aircraft to continuously transmit its location, speed, and altitude to other planes, pilots, and controllers, which provides much more accuracy than today's radar. ADS-B provides an essential capability for reduced separation and allows for greater predictability in departure and arrival times. ADS-B will also give real-time cockpit displays of traffic information, both on the ground and in the air, to equipped users throughout the system. We estimate that ADS-B applications will save \$1.7 billion in the terminal environment and another \$800 million in the en route environment through 2035. The United Parcel Service (UPS) is already using ADS-B technology in Louisville, Kentucky to enable the use of Continuous Descent Arrivals (CDA), with great success. UPS aims to cut noise and emissions by about 30 percent each and reduce fuel burn by 40-70 gallons for each arrival.

In August 2007, FAA awarded a contract to ITT Corporation to provide ADS-B services. Under the contract, ITT will install, own, and maintain the surveillance ground infrastructure, while FAA pays for the surveillance and broadcast services. Since the contract award, the program is on track; we intend to deploy ADS-B at key sites by 2010 and will roll out the nationwide infrastructure by 2013. ADS-B is also being implemented in the Gulf of Mexico, where controllers currently operate without radar coverage. Controllers must now track low-flying aircraft using a grid system based on reported – not actual – position and high-flying aircraft using 15 minute procedural separation. To ensure safety, a significant amount of separation must be maintained between aircraft, severely reducing capacity. ADS-B deployment in the Gulf of Mexico could allow us to reduce the amount of separation between aircraft while maintaining safety, and save an estimated \$545.6 million through 2035. It will also provide support for an additional 246,400 flights over the Gulf between 2017 and 2035.

We are also undertaking efforts that better take advantage of aircraft capability. The area navigation (RNAV) program uses onboard avionics that allow an aircraft to fly more direct and precise flight paths. Improved performance on departure has led to a more efficient traffic flow, reducing departure delays, decreasing taxi times, and reducing fuel burn and associated emissions. RNAV operations have saved operators \$8.5 million annually at Dallas/Fort Worth International Airport and a total estimated \$34 million at Hartsfield-Jackson Atlanta International Airport. Required Navigation Performance (RNP) builds upon RNAV and allows flights to land with lower minima. Using RNP, in 2006 Alaska Airlines was able to continue 980 approaches

that otherwise would have been diverted, largely due to adverse weather conditions. NextGen plans call for continued deployment of RNAV and RNP procedures, and we will begin to couple them with other decision support tools to maximize their capabilities.

Environmental Stewardship

NextGen must be more efficient than the current system, but it must also be quieter and cleaner. Our goal for NextGen is to meet growing demand by tripling the capacity of the nation's airspace while reducing significant environmental impacts. Our FY 2009 budget request includes \$352 million, of which \$264 million is requested from the AIP program, to address the environmental impacts of aviation. We will ensure that the number of people in the United States who are exposed to significant aircraft noise levels continues to decline, and that we are reducing air and water quality impacts, addressing the impact of aviation's greenhouse gas emissions on the global climate, and supporting the development of alternative aviation fuels.

We will provide expertise and funding to assist in abating the impacts of aircraft noise in neighborhoods surrounding airports by purchasing land, relocating persons and businesses, soundproofing residential homes or buildings used for educational and medical purposes, purchasing noise barriers and monitors, and researching new noise prediction and abatement models and new technologies. We estimate that 20,000 people will see a reduction in aircraft noise from these AIP-supported mitigation efforts at airports. The FY 2009 request includes \$16 million in new RE&D funding for the Aircraft Technology, Fuels and Metrics program to accelerate the introduction of quieter and cleaner technology in commercial fleets and to initiate a NextGen Environmental Management System. The request also includes a \$5 million increase for the Airport Cooperative Research Program (ACRP) for environmental research to help mitigate aviation environmental impacts in the airport vicinity.

International Leadership

Our FY 2009 request includes \$63.1 million to expand FAA's international leadership role and to help improve safety. We will expand training and technical assistance programs that help civil aviation authorities meet international standards, as well as promoting seamless global operations. We will also continue to work with our international partners and the International Civil Aviation Authority (ICAO) to harmonize global technological standards, and to expand the use of global satellite navigation systems.

Our role as an international leader in the air transportation industry also requires us to meet the challenges of global environmental sustainability. Although aviation's overall contribution to global carbon emissions is relatively small, aviation is considered one of the few rapidly growing

contributors. To meet this challenge, last June former Administrator Marion Blakey and the Vice President and Transport Minister of the European Commission (EC) announced the creation of the Atlantic Interoperability Initiative to Reduce Emissions (AIRE) Partnership. The partnership will strive to accelerate implementation of environmentally friendly, new air traffic control technology and procedures. On February 18, I further expanded our international environmental leadership role when I signed an agreement in Singapore with Airservices Australia and Airways New Zealand to establish the Asia and South Pacific Initiative to Reduce Emissions (ASPIRE).

We are also working closely with China to promote seamless NextGen operations around the globe. On February 20, FAA signed a memorandum with the Air Traffic Management Bureau (ATMB) of China's General Administration of Civil Aviation in Beijing. The JPDO worked with counterparts in China to outline the framework for achieving the harmonization and interoperability of NextGen and China's NextGen Air Traffic Management System (CNATS). The ATO will be assisting ATMB with key NextGen technologies, including RNAV, Global Positioning System (GPS) technology, and ADS-B.

Security

As you know, responsibility for the security of the aviation system now rests with the Department of Homeland Security. Most of the \$218.6 million requested in our budget focuses on enhancing the security of the FAA's own personnel, facilities, and communications. The FAA ensures the operability of the national airspace through the facilities, equipment and personnel of the air traffic control system, which is essential to the rapid recovery of transportation services in the event of a national crisis. Additionally, the budget request includes funding to continue upgrading and accrediting facilities, procure and implement additional security systems, and upgrade our command and control communications equipment.

Organizational Excellence

At FAA, "acting more like a business" is not just a slogan. We are actively engaging in a comprehensive pay-for-performance program, consolidating operations, improving internal financial management, and increasing benefits to our customers. Our bottom line is results for our stakeholders, including the taxpayer and traveling public.

We are continuing to make every effort to control our operating costs. Personnel reform for the agency, granted in 1998, is starting to bear fruit, with conversion from the traditional GS-Schedule pay system to pay for performance. This conversion is allowing the agency to flatten pay bands and tie performance incentives to pay increases. Accountability for results is systemic

throughout our organization, with 90 percent of our employees on the pay-for-performance system, including our executives. *Flight Plan* performance targets must be achieved before annual pay raises are calculated. Executives and managers have a good deal of discretion in rewarding high-performing employees, and incentives are present to ensure quality work and innovation are rewarded. Executives are also eligible for short-term incentive increases when specific performance thresholds are met or exceeded.

We know that labor costs drive a significant share of our budget, and we have been working to slow the rate of growth in labor costs. We are also increasing workforce productivity through cutting multiple levels of management and improving oversight of our worker's compensation caseload.

I have already mentioned ATO's success with competitively sourcing its flight service station function. They have also successfully consolidated administrative and staff support functions from nine service areas to three, allowing for better service while saving an estimated \$360 to \$460 million over the next 10 years. The FAA has also taken steps to consolidate and improve our real property management and information technology (IT) investments.

In a concerted effort to control costs and make smarter capital investment choices, several years ago FAA created a capital investment team to review financial and performance data. The team provides an early warning for potential problems as well as help to develop corrective actions. So far, these business case reviews have identified \$460 million in lifecycle savings by restructuring/terminating ten programs, six of them major. To date, over 165 projects were reviewed in various stages of acquisition, capital formulation, and business case development.

Finally, the Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative is an ambitious effort begun in FY 2006 to implement best practices from the private sector in the procurement of administrative supplies, equipment, and IT hardware. It is expected to achieve \$9 million in savings annually.

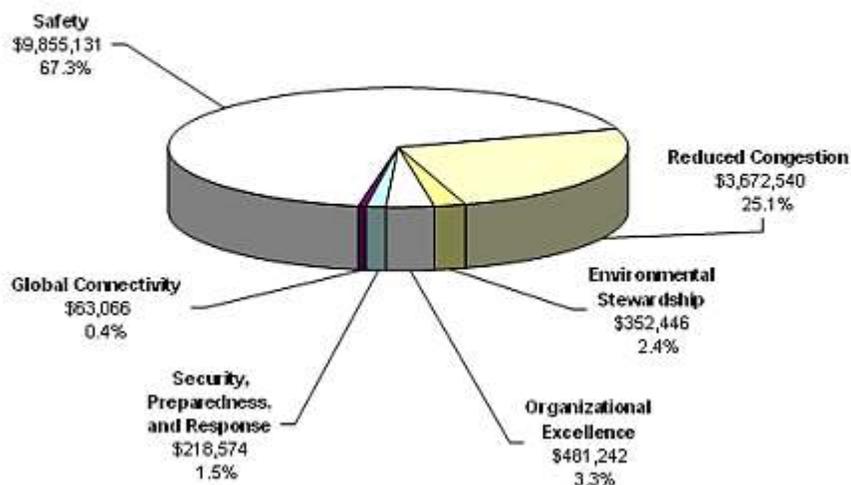
Conclusion

Our FY 2009 request provides strong support for our staff hiring goals, safety and capital programs and NextGen activities. However, to better enable a move to NextGen, we believe comprehensive reform of FAA's programs and revenue streams is necessary. We will continue working with Congress and our stakeholders toward a successful reauthorization that is consistent with our key principles for a comprehensive cost-based financing structure. Given the vital role aviation plays in the nation's economy and the need to prepare for the future, our

funding request for FY 2009 is designed to support America's growing demand for aviation-related services.

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**FY 2009 Budget Request by Goal
(\$000)**



**Comparison of Budgets - FYs 2007-2009 - Old Versus New Accounts
(\$ in millions)**

Accounts	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Request	2008-2009 Change
Operations	8,374	8,740	8,998	3.0%
Facilities and Equipment	2,518	2,514	2,724	8.4%
Research, Engineering & Development	130	147	171	16.3%
Airport Improvement Program (Ob Lim)	3,515	3,515	2,750	-21.8%
FAA Total	14,537	14,915	14,643	-1.8%

Accounts	FY 2007 Enacted	FY 2008 Enacted	FY 2009 Request	2008-2009 Change
Safety & Operations	1,769	1,893	2,052	8.4%
[Salaries & Expenses]	1,634	1,774	1,920	8.2%
[Capital Programs]	135	119	132	10.9%
ATO	9,123	9,361	9,670	3.3%
[Salaries & Expenses]	6,740	6,966	7,079	1.6%
[Capital Programs]	2,383	2,395	2,591	8.2%
Research, Engineering & Development	130	147	171	16.3%
Airport Improvement Program (Ob Lim)	3,515	3,515	2,750	-21.8%
FAA Total	14,537	14,915	14,643	-1.8%