FAA REAUTHORIZATION: AIR TRAFFIC CONTROL MODERNIZATION AND REFORM

STATEMENT OF JEFFERY A. SMISEK
CHAIRMAN OF THE BOARD, PRESIDENT AND CEO, UNITED AIRLINES
BEFORE THE
UNITED STATES SENATE COMMERCE COMMITTEE

MAY 19, 2015

Chairman Thune and Ranking Member Nelson, I appreciate the opportunity to testify before the Committee today. I'm Jeff Smisek, and I am Chairman, President and CEO of United Airlines. I am testifying today as Chairman of the Board for our trade association, Airlines for America (A4A)[1].

As the Committee knows, the airline industry believes that fundamental reform presents significant opportunities for improving our air traffic system, providing real benefits to the users, air travelers, employees, communities and businesses across America. We did not come to this conclusion easily and we do not take the implications and risks of fundamental reform lightly. We have dedicated a tremendous amount of resources, time and attention to this topic, including a global survey of best practices for operation of national air navigation service providers. Our work leads us to the conclusion that the American air traffic control system needs complete transformation in order to modernize to meet the demands of the future, and the time for that transformation is now.

Safety First
At the outset, I would like to make it clear that this discussion takes place under the absolute premise that safety comes first. Under any and all scenarios, first and foremost, the FAA must remain and retain the role as a world-class safety regulator. Safety of operations is the bedrock principle by which each and every person in our industry lives, and transforming our ATC system will not change that in any manner. In fact, ATC transformation would reinforce safety as the primary mission and responsibility of the FAA, making it more of a traditional regulator versus the current system where FAA is both the operator and regulator of the air traffic services.

Why is ATC reform important to passengers and consumers?
For some context, A4A member carriers and their affiliates transport more than 90 percent of all U.S. airline passenger and cargo traffic. In 2014, the U.S. airline industry averaged more than 2 million passengers and nearly 50,000 tons of cargo carried on 27,000 flights per day, providing economic benefits to communities throughout the United States. Today, all users of ATC are beholden to a World War II-era, radar-based system that, while safe, is inefficient and delay-ridden. As an example, when I joined the airline industry 20 years ago, a flight between DCA and EWR was scheduled for under one hour. Today, we must schedule that same flight for almost an hour and a half to account for ATC delays – more than twice the actual flying time.

---

[1] A4A does not represent Delta Air Lines in this testimony.

What is the problem we are trying to solve?

For decades, policymakers and stakeholders have almost unanimously recognized the need to modernize our antiquated ATC system. There are many countries around the world that have already successfully transformed their own air traffic control systems. It's time for the U.S. to do the same. To their credit, FAA leadership has been attempting to modernize the ATC system for more than a decade, and we believe that Administrator Huerta, Deputy Administrator Whitaker, Assistant Administrator Bolton, and the teams they lead are working as hard and effectively as possible within their budget and organizational constraints to provide the safest air traffic system in the world. Indeed, the leadership and action they and the dedicated workforce of the FAA provided following the act of sabotage at the Aurora facility last September are worthy of praise. However, a string of reports from presidentially appointed aviation commissions, the Department of Transportation Inspector General, the Government Accountability Office, and independent private sector experts have found that the FAA's progress delivering NextGen capabilities has not met expectations, calling into serious question the agency's ability to deliver on its mission under the existing funding and governance structure. This was most recently emphasized in a National Research Council report that indicated FAA should 'reset expectations' for NextGen. The problem is not the leadership or the workforce: it's the funding and governance structure that we must fix.

Too often, politics and budget constraints end up being the major influencers of how the system operates, which means all the users of the system are beholden to decisions not necessarily in the best interest of the system users. We believe an air traffic system that is accountable to stakeholders would operate more efficiently and effectively to the benefit of passengers and all users of the system.

What is the solution?

A4A has undertaken considerable research on various models of air traffic organizations around the world. In particular, we have done a thorough analysis to benchmark and assess the governance, financial and operational performance of the U.S., Canadian and European ATC models in order to make an informed comparison between our current system and those systems engaging in best practices outside the United States. Our evaluation reviewed the safety, predictability, efficiency, cost, productivity, customer service and NextGen implementation performance of each of the organizations.

Our benchmarking and rigorous fact-based assessment of the governance, financial and operational performance of the U.S., Canadian and European ATC models suggests some basic principles for the success of a transformed air navigation service provider. There must be:

(1) Separation of the ATC operations and ATC safety regulation functions;

(2) A non-profit corporation operating the ATC system, with independent, multi-stakeholder board governance free from political influence over decision-making;

(3) A professional, effective management team of the ATC provider, incentivized to pursue efficiencies without the constraints imposed on government agencies that hamper their ability to manage more nimbly and effectively;

(4) A fair self-funding user fee model based on the cost of ATC services, free from the start and stop budget constraints that have resulted in sequester and furloughs of air traffic controllers, allowing for access to capital markets and a steady, predictable, reliable stream of funding that isn't subject to governmental budgetary constraints;

(5) The ability to manage assets and capital investments in a way that allows far greater speed to market of technological modernization; and,

(6) Transparency in user fees so that users and their customers alike know what they are paying, allowing users full ability to recover costs.

Commercial airlines, who are the primary and disproportionate funders of today's system, believe that the total of new user fees for airlines to fund the new air traffic entity, plus any new fee on airlines or their passengers to help fund the remaining functions of the FAA, should not exceed the total tax burden on the airlines and their passengers today.

These success factors lead to an effective operation because an independent ATC entity can operate with stable and predictable funding and governance certainty, subject to strong safety regulation and oversight by the FAA, which could then solely focus on its core function rather than playing the duel and conflicting roles of both operator and regulator. An organization that is accountable to stakeholders and users of the system will drive effective decision-making and efficient operations in order to capture the full benefits of the ATC system.

Further, an independent ATC system will be far more likely to adapt quickly to keep pace with the constant evolution that is inherent in our industry. In aviation, change happens at 500 miles per hour, and many of the challenges, risks and opportunities we face tomorrow will be different than those we face today. We need an ATC system that is nimble, flexible, forward-looking and technologically advanced, with a freedom and ability to change that the current system simply does not have.

Our work to date shows that a non-profit governance structure would deliver the greatest benefits for a transformed ATC system. This type of entity would continue to maintain safety as the utmost priority, while also creating significant efficiencies and improvements, delivering greater value for all users of the system, our employees, our passengers and the communities that depend on the services we provide.

How do we transition?
All stakeholders recognize transitioning from a government organization to an independent non-profit organization is a serious and complex undertaking that needs to be done in a methodical and thoughtful manner.

The inefficiencies, delays and costs of the current ATC system will only grow over time, so there is no better time to transform the ATC than now. As part of our on-going research, we are working on a detailed transition plan and policy principles for many of the unanswered questions that arise when you dig deeply into these issues.

To those who suggest change carries too much risk, we would reply that the risk of doing nothing is higher. While our system is safe now, we are moving in the wrong direction. We are at a crossroads, with an opportunity to take advantage of the leadership of Congress and the stakeholder community to come together and transform our nation's ATC system in a way that will ensure that our country retains our global leadership. While there are indeed risks in making major changes, we believe the risks and transition issues can be mitigated. We are capable of rising to this challenge, as have many other countries before us. It would be a mistake to accept the status quo, just because progress will take effort.

It is easy to get buried in the complexities and tangential questions that arise with the ATC reform debate. However, if you step back and look at the concept, it is really quite simple. We believe the air traffic service provider portion of the FAA should become a self-funding organization, independent of governmental interference, turned over to a non-profit entity governed and held accountable by a board of stakeholders. We believe that ATC services would operate more effectively and efficiently outside the control of government and the funding unpredictability and politicized decisions that come with it. With a predictable funding structure and direct operational transparency and accountability to users of the system, the modernized U.S. air navigation service provider would better benefit the users of the system, the employees of the system and the passengers they serve.

We look forward to working together with the Committee. Thank you.