

STATEMENT OF HANK KRAKOWSKI, CHIEF OPERATING OFFICER, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION AND THE HONORABLE MICHAEL W. REYNOLDS, ACTING ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION, BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION, SUBCOMMITTEE ON AVIATION OPERATIONS, SAFETY, AND SECURITY, ON THE OUTLOOK FOR SUMMER AIR TRAVEL: ADDRESSING CONGESTION AND DELAY. JULY 15, 2008.

Chairman Rockefeller, Senator Hutchison, Members of the Subcommittee:

Thank you for inviting me here to testify about aviation congestion and delays. With me today is Michael Reynolds, the Acting Assistant Secretary for Aviation and International Affairs from the Department of Transportation (DOT). With the summer travel season upon us, the Federal Aviation Administration (FAA) and the DOT have a number of efforts underway to address aviation congestion and delays.

*State of the Industry*

In order to frame the issues properly, we must first take a look at the state of the aviation industry today. Record oil prices, a slowing economy, and increased competition are just a few factors that have created a number of significant challenges for airlines – challenges that certainly will change the face of the aviation industry in the years to come.

To meet these challenges, many carriers are raising fares, streamlining operations, and reducing service. With a few notable exceptions -- JFK, Denver and San Francisco, for example -- air traffic is down. General aviation operations are also down, due to fuel and insurance costs, further de-stressing the system. System-wide, FAA data shows the number of flights have decreased just over 2 percent, comparing May 2008 to May 2007.

While airlines are announcing reductions in service, and air traffic overall is down, it is likely that the busiest and most congested airports, particularly in the New York/New Jersey region, will not see a significant reduction. Even if they do see a downturn in the short run, history tells us that the aviation industry is very cyclical and that service will eventually

return to – and exceed – the record levels we saw last year. Of the current delay minutes, 32.9 percent were at the three largest airports in the New York area (Newark Liberty International, LaGuardia Airport, and John F. Kennedy International Airport), as compared to 33.4 percent from last year. Approximately one-third of the nation’s flights and one-sixth of the world’s flights either start or traverse the airspace that supports the New York/New Jersey/Philadelphia (NY/NJ/PHL) region.

In 2007, the aviation industry recorded the second worst year for delays since 1995; 27 percent of flights were delayed or cancelled in 2007. Both the frequency and the severity of ground delays were unprecedented. The costs of delays are huge – the Senate Joint Economic Committee estimates that last year flight delays alone cost passengers, airlines, and the U.S. economy over \$40 billion. Additionally, the Travel Industry Association estimates that air travelers avoided over 41 million trips last year – leading to lost revenues and taxes of over \$26 billion.

Even if carriers reduce flights this summer enough to reduce congestion, we still must do something to fix the problems that caused last summer’s horrible delays. We continue to work towards developing and providing solutions for all of the users of the nation’s airspace system.

As we frame the problem, we should note that we are living in the safest period in aviation history and we are constantly striving to make it safer still. In the past 10 years, the commercial fatal accident rate has dropped 57 percent. General aviation accidents are down. Safety is and will always be the primary goal of the FAA. Nothing we do to address congestion and delays will compromise the FAA’s safety mandate.

### *Summer 2008*

A snapshot of the system comparing May 2008 to May 2007 for the 35 Operational Evolution Partnership airports is telling. As you know, we had far more severe weather during May 2008 than we had in May 2007, particularly in the Midwest. Previously, this would have caused major delays throughout the NAS, and had the FAA done nothing, we would have seen thousands of delayed and stranded passengers all over the country. Instead, our projected data estimates that the average minutes of delay for all flights decreased slightly (by almost 1 percent), while the number of flights with more than one hour of delay decreased by 8 percent. Although the data from the Bureau of Transportation Statistics has not been finalized, we are expecting to see that cancellations for May 2008 have decreased approximately 8 percent and on-time arrivals increased nearly 1 percent over May of last year.

According to FAA data, bad weather causes 70 percent of all delays. The situation is worse during the summer, unlike winter storms, which take time to develop and move slowly, summer storms can form quickly, stretch for hundreds of miles and travel rapidly over large portions of the country, grounding flights and sending chain reaction delays throughout the NAS. While we cannot control the weather, we can control how we manage the delays. With new dispersal headings, the use of Adaptive Airspace Flow Programs (detailed below), new westbound departure routes out of New York, and other improvements, we are dealing more effectively with delays, using people, procedures, and technology.

In 1998, the FAA initiated Collaborative Decision Making (CDM), which represented a change in how the FAA communicates with the airlines in order to reduce delays. Prior to CDM, airlines were hesitant to share certain information for competitive reasons. Airlines now share schedule information with the FAA's Command Center in Herndon, VA, including flight delays, cancellations and newly created flights. The Command Center uses this information to monitor airport arrival demand and take steps to reduce delays caused by heavy traffic and severe weather. Daily teleconferences are held every two hours between FAA air traffic managers, the airlines, and general aviation users, to discuss problems

affecting capacity in the system and decide the most efficient, and collaborative solution as these situations arise.

For 2008, the FAA is implementing a number of new procedures and tools to enhance this system and to help manage and reduce congestion, outlined below:

#### Western Atlantic Route System

This initiative will increase capacity along the East Coast over the Atlantic this summer by reducing lateral separation from 90 miles to 50 miles for aircraft with avionics that provide an appropriate level of accuracy. The area includes parts of Miami and New York high altitude airspace, as well as the San Juan Center Radar Approach Control airspace.

In the past, lateral separation in oceanic airspace has been set at 90 miles between aircraft to maintain safe separation. This initiative takes advantage of more precise aircraft position technology to allow for more Atlantic routes, 20 more transition route fixes and ultimately more access to the available airspace. The procedures became fully operational on June 5, 2008.

#### New Playbook Routes

Playbook routes are pre-coordinated routes that are developed to route aircraft around convective weather. New playbook routes will be in place this summer to provide alternate route options during periods of severe weather. Nineteen new playbook routes will be available, including four Virginia Capes Area (VACAPES) routes designed for use in military airspace when it is available.

#### Integrated Collaborative Rerouting Tool

This is a new automated tool that depicts constrained airspace to airlines and other users of the NAS. This alleviates the need for the FAA to implement required reroutes, which may be less favorable to the users. It gives the airlines scheduling options and a more efficient utilization of the available airspace. The tool will allow

pilots to provide early intent of their preferred routing around constrained areas, such as storms-affected areas.

#### Adaptive Airspace Flow Programs (AFPs)

The Airspace Flow Program was deployed in June 2006 and enables the FAA to manage adjustments to changing weather patterns. This is crucial during the summer convective weather season when storms grow rapidly and move across large swaths of the country. Before the FAA developed the technology to implement AFPs, the FAA's primary tool was a ground delay programs to prevent aircraft from taking off if they were headed for a delayed airport from any direction. Ground delay programs remain valuable under appropriate circumstances, but sometimes have the unintended consequence of delaying flights that would otherwise not encounter severe weather.

Last summer from May 2 through August 30, 2007 a total of 58 AFPs were used. Use of these AFPs provided approximately \$68 million in savings for the airlines. AFPs, which focus on particular areas in the sky where severe weather is expected, generally are a more equitable and efficient way of handling flights during severe weather.

The Adaptive Airspace Flow Program is an enhancement to the original program. This summer, the FAA can adjust the parameters of an AFP based on changing weather intensity, providing a more effective way to manage traffic during severe summer storms that will minimize delays.

Using AFPs, the FAA is able to target only those flights that are expected to encounter severe weather. The targeted flights are issued an Expect Departure Clearance Time (EDCT), giving the airlines the option to accept a delayed, but predictable departure time, to take a longer route to fly around the weather or to make alternate plans.

### Adaptive Compression

This program, launched in March 2007, automatically identifies unused arrival slots at airports affected by AFP or ground delays and moves other flights into those slots. This means that maximum arrival rates will be maintained, easing congestion and delays. Adaptive Compression saved \$27 million for the airlines and 1.1 million delay minutes for the airlines and the flying public in its first year of operation.

### *Expanding Capacity*

Expanding capacity in the overall NAS is always our preference, both on land and in the air. Airport capacity is critical. Along with our partners in the airport community, we have achieved significant progress in increasing capacity and we intend to continue to support this with our ongoing airport improvement programs. A brief overview of the status of recent airport projects as well as projects in the planning stages might be helpful.

The 35 airports included in the Operational Evolution Partnership (OEP) account for about 75 percent of all passenger enplanements. Much of the delay in air traffic can be traced to inadequate “throughput” (measured as arrival and departure rates) at these airports. Airfield construction (new runways, runway extensions, new taxiways, end around perimeter taxiways, and airfield reconfigurations) is the most effective method of increasing throughput. Consequently, constructing new and/or extending runways, taxiways, and airfield reconfiguration are solution sets of the OEP’s Airport Development Domain.

Arrival and departure rates at the nation’s busiest airports are constrained by the limited number of runways that can be in active use simultaneously. The addition of new and extended runways or airfield reconfigurations will expand airport throughput at the target airports, and possibly for other airports in the same metropolitan area. In most cases the airfield projects are sufficient to keep pace with forecasted demand. Since FY 2000, 14 of the 35 OEP airports have opened 15 airfield projects (including 13 new runways providing 20 miles of new runway pavement, 1 end around taxiway, and 1 airfield reconfiguration). The projects have provided these airports with the potential to

accommodate 1.6 million more annual operations and decrease average delay per operation at these airports by about 5 minutes, and reduce the potential for runway incursions. The complete listing of airfield projects included in the OEP is shown in the table below.

<b>Airport</b>	<b>Date Opened</b>
Philadelphia	December 1999
Phoenix	October 2000
Detroit	December 2001
Cleveland	December 2002 (Phase 1 - 1 <sup>st</sup> 7145 feet) August 2004 (1775 runway extension)
Denver	September 2003
Miami	September 2003
Houston	October 2003
Orlando	December 2003
Minneapolis-St. Paul	October 2005
Cincinnati/No.KY	December 2005
Lambert-St. Louis	April 2006
Atlanta Hartsfield	June 2006
Boston Logan	November 2006
Atlanta End Around Taxiway	April 2007
Los Angeles (Reconfiguration - Relocated Runway and Center Taxiway)	Relocated RW April 2007 Center TW June 2008

The total cost of these projects is \$5.6 billion with approximately \$1.9 billion in Airport Improvement Program (AIP) grant funding. End around taxiways provide another means to decrease delays at a busy airport by providing an alternative to having aircraft cross an active runway. With the opening of the end around taxiway at Atlanta in April 2007 about 612 runway crossings per day were eliminated at the busiest airport in the U.S.

Currently, seven OEP airports have airfield projects (3 new runways, 1 airfield reconfiguration, 1 runway extension, and 2 taxiways) under construction. The projects will be commissioned through 2012 and will provide these airports with the potential to accommodate about 400,000 more annual operations, decrease average delay per operation by almost 2 minutes, and significantly reducing runway crossings. The cost of the 7 airfield projects, listed below, is approximately \$3.9 billion with about \$1.2 billion in AIP funding.

<b>Airport</b>	<b>Anticipated Opening Date</b>
Seattle-Tacoma	November 2008
Washington Dulles	November 2008
Chicago O'Hare Runway 9R/27L extension Runway 10C/28C	November 2008 September 2008 Late 2011
Philadelphia Runway Extension	March 2009
Dallas-Ft. Worth End Around Taxiway	December 2008
Boston Logan Centerfield Taxiway	November 2009
Charlotte	February 2010

There are also ten other projects (3 airfield reconfigurations, 3 runway extensions, & 4 new runways) are in the planning or environmental stage at OEP airports through 2017.

<b>Airport or Metropolitan Area</b>	<b>Project</b>	<b><u>Completion of Environmental Study (Estimated)</u></b>
Ft. Lauderdale	Extension	2008
Philadelphia	Reconfiguration	2009
Portland Int'l	Extension	2008
Houston Intercontinental	New Runway	TBD
Denver Int'l	New Runway	TBD
Chicago O'Hare	Reconfiguration – Phase 2	2005
Los Angeles	Reconfiguration-North Runway Complex	TBD - Reconfiguration studies are in progress
Washington Dulles	New Runway	2005
Salt Lake City	Runway Extension	TBD - Planning will begin around 2010
Tampa	Runway	TBD - Planning will begin around 2013



In addition, four communities (Chicago, Las Vegas, Atlanta and San Francisco) have planning or environmental studies underway to examine how their metropolitan area will accommodate future demand for aviation.

Metro Area	Study	Sponsor	Purpose
Chicago	New Airport	State of Illinois	EIS/Master Plan covering development for the Inaugural Airport is on hold.
Las Vegas	New Airport	Clark County	EIS Notice of Intent published in Sept 2006.
Atlanta	Regional	City of Atlanta	Explore options for how commercial aviation demand can be met in the Atlanta metropolitan area. The study will be coordinated with all levels of local/state government and will take 2 years to complete.
San Francisco	Regional	San Francisco Metro Transportation Commission	A study is being undertaken to examine aviation demand in the San Francisco Metropolitan Area.

AIP program planning will continue to reflect a special emphasis on increasing capacity and improving the airport arrival efficiency rate.

### *Controller Staffing*

We know that controller staffing and how it affects delays are issues of concern to this Committee. The FAA *is* its workforce, and we consider controller staffing issues to be of the utmost importance to maintaining the safest aviation system in the world. To deal with the long-predicted retirement eligibility of today’s generation of controllers, the FAA began a large-scale recruitment and selection process to rebuild the controller workforce. By 1992, the controller workforce was once again fully staffed. However, the realities were that, because of the concentrated, post-strike period of hiring, the FAA would have to once again begin a major recruitment effort as these controllers began to age out of the system. The vast numbers of controllers hired in the 1980s were long-predicted to retire once they reached retirement eligibility after 25 years of service.

To deal with this, the FAA initially developed a 10-year controller workforce staffing plan in 2004, which we refine each year. In 2007, the anticipated retirement wave of controllers began, and we project that retirements will continue to hit record numbers in

2008 and 2009. Our strategic hiring plan takes into account both projected retirements as well as expected attrition in new hires. From 2008-2017, we plan to hire approximately 17,000 new air traffic controllers.

To achieve these ambitious goals, the FAA has been recruiting aggressively through a variety of traditional and non-traditional outlets. In an effort to diversify our workforce, we are actively recruiting more women and minorities, as well as disabled veterans. And, in October 2007, the FAA chose an additional nine colleges and universities to be part of the Air Traffic Collegiate Training Initiative (AT-CTI) program, which brings the number of schools currently in the program to 23. We plan to continue to offer the opportunity to other schools to apply to the program.

We have also been offering a recruitment bonus of up to \$20,000 for qualified new hires and offering retention incentives to retirement-eligible controllers on a case-by-case basis. Retention bonuses are typically 25 percent of an individual's salary with a cap of \$25,000. Controllers may also be eligible for relocation and reassignment bonuses for certain key facilities. Thus far, 44 retention bonuses have been accepted, and another 26 are pending consideration.

Thus far, we have increased our controller workforce by a net gain of 256 in FY 2007, and we are on target to increase it an additional 256, to an end of year target of 15,130 for FY 2008. The President's budget for FY 2009 calls for a further net increase of over 300 controllers. Given the current airline reductions and current staffing statistics, we believe our staffing goals and plans are on target.

### *NextGen*

In addition to ensuring sufficient controller staffing, we need to put the right tools into our controllers' hands. Our long-term plan to address congestion and delays is the Next Generation Air Transportation System (NextGen). We appreciate this Committee's strong support for the NextGen effort. NextGen will transform the aviation system and how we control air traffic. We must be able to handle the demands of the future for aviation travel –

projected to be one billion passengers by 2015 – particularly in areas (such as New York/New Jersey) where capacity cannot be expanded.

As you know, NextGen is a steady, deliberate, and highly collaborative undertaking, which focuses on leveraging our latest technologies, such as satellite-based navigation, surveillance and network-centric systems. It is designed to be flexible to take advantage of even newer and better technologies as they become available. We want to make sure that our air transportation system can accommodate innovations without becoming entrenched in technology that is new today but obsolete tomorrow.

The FAA is hard at work bringing new technology and techniques on-line to unsnarl air traffic delays, and we appreciate the funding Congress has appropriated for these purposes. In recognition of these critical enhancements, the President’s FY 2009 Budget Request would more than triple the investment in NextGen technology – providing \$688 million for key research and technology to help meet the nation’s rapidly growing demand for air travel, including the transformation from radar-based to satellite-based air traffic systems.

The FAA will begin rolling out several elements of the NextGen system this summer. This rollout will include the national debut of Automatic Dependent Surveillance-Broadcast (ADS-B) technology, the cornerstone of NextGen. We are particularly proud that the ADS-B team, which includes the FAA, along with its industry, government, and university partners, recently won the Robert J. Collier Trophy, one of the most prestigious awards in aviation. The award is awarded annually by the National Aeronautic Association “for the greatest achievement in aeronautics or astronautics in America, with respect to improving the performance, efficiency, and safety of air or space vehicles, the value of which has been thoroughly demonstrated by actual use during the preceding year.” It recognizes the development team that worked for more than a decade to create the pioneering systems to improve efficiency and safety in the national airspace.

The FAA has chosen Miami as the key site for the installation and testing of Traffic Information Services – Broadcast (TIS-B) and Flight Information Services – Broadcast (FIS-B). These broadcast services are the transmission of weather and traffic information to the cockpit of properly equipped aircraft. In order to provide the services in roughly the southern half of the state, the contractor, ITT will install and test eleven ground stations in this area, including five at airports (Lakeland Linder Regional, Dade-Collier, Florida Keys Marathon Airport, Boca Raton Airport, and Sebastian Municipal).

The ITT installed equipment is currently undergoing a Service Acceptance Test (SAT) which began in May. In November 2008, the agency expects to commission (the FAA calls this an In-Service Decision or ISD) these broadcast services (TIS-B and FIS-B). Following the successful completion of ISD, the FAA can exercise an option in the ITT contract to deploy the services nationwide

The transition to ADS-B technology will allow the nation's air traffic control system to change from one that relies on radar technology to a system that uses precise location data from a global satellite network. Over the next few years, the FAA will also install and test ADS-B for use in Air Traffic Control Separation Services. The key sites for this initiative are Louisville, Philadelphia, the Gulf of Mexico, and Juneau. The FAA plans to commission the ADS-B services in September 2010 and complete a nationwide rollout by 2013.

#### *NY/NJ/PHL Airspace Redesign*

As mentioned above, one-third of all domestic and one-sixth of all international air traffic pass through New York airspace. Improvements in this region have effects throughout the system. Likewise, a bad storm or other delays in this region cascades throughout the system. In order to address these issues, the FAA is in the process of implementing the New York/New Jersey/Philadelphia Airspace Redesign.

The old, inefficient airspace routes and procedures pieced together over the past several decades were overdue to be reconfigured to make them more efficient and less complicated.

In addition to more jet routes with increased and better access, the Airspace Redesign includes improved use of available runways, fanned headings for departures and parallel arrivals, and more flexibility to manage delays in severe weather. We project that under the Airspace Redesign, delays will be cut by 200,000 hours annually. This is the single greatest improvement to address congestion we see in the near future for the New York/New Jersey metropolitan area.

We also project that this will save \$248 million annually in operating costs for airlines. Additionally, the increased flexibility during severe weather is projected to save another \$37 million annually. Finally, the environmental advantages include reduced carbon dioxide emissions of a projected 430 million pounds per year, and the residents affected by aviation noise will be reduced by more than 600,000. These are impressive gains.

Reconfiguring the airspace will enable the FAA to take several direct actions to take advantage of improved aircraft performance and emerging ATC technologies. Leveraging these technologies, the FAA can implement new and modified ATC procedures, including dispersal headings, multiple departure gates and simplified arrival procedures by 2011. The FAA will also use these technologies to employ noise mitigation measures, such as use of continuous descent approaches (CDA), and raising arrival altitudes.

Implementation of the Airspace Redesign Project will be able to make use of procedures like Area Navigation (RNAV) and Required Navigation Performance (RNP), which collectively result in improved safety, access, predictability, and operational efficiency, as well as reduced environmental impacts. RNAV operations remove the requirement for a direct link between aircraft navigation and a ground-based navigational aid (i.e. flying only from radar beacon to radar beacon), thereby allowing aircraft greater access to better routes and permitting flexibility of point-to-point operations. By using more precise routes for take-offs and landings, RNAV enables reductions in fuel burn and emissions and increases in efficiency.

RNP is RNAV with the addition of an onboard monitoring and alerting function. This onboard capability enhances the pilot's situational awareness providing greater access to airports in challenging terrain. RNP takes advantage of an airplane's onboard navigation capability to fly a more precise flight path into an airport. It increases access during marginal weather, thereby reducing diversions to alternate airports. While not all of these benefits may apply to every community affected by the Airspace Redesign Project, RNAV and RNP may prove useful in helping to reduce overall noise and aggregate emissions.

The Airspace Redesign Project is very large and complex and the implementation will take several years. There will be four stages of the implementation, distinguished by the degree of airspace realignment and facility changes required to support each of the overlying operational enhancements. Implementation is estimated to take at least five years, with each stage taking approximately 12-18 months to complete. The FAA is presently finalizing a detailed implementation plan that will cover all elements of this project's implementation and we anticipate completion of stage 1 later this year. We have also begun additional operation validation of some of the key elements of stage 2.

*Additional DOT Efforts to Reduce Congestion:*

In addition to the capacity enhancements, operational improvements, and ongoing efforts in the NextGen arena that have already been discussed, the Department is constantly searching for new ways to reduce congestion and improve customer satisfaction. Given the record delays last summer, in July 2007, Secretary Peters formed an internal New York Air Congestion Working Group and tasked them with developing an action plan to reduce congestion and delays at airports in the New York City region and improve customer satisfaction. The working group developed a plan, which, among other things, included establishing a New York Aviation Rulemaking Committee (ARC), holding scheduling reduction meetings, implementing operational improvements, and enhancing customer satisfaction. ARC participants included, among others, the airlines and the Port Authority of New York and New Jersey. Since forming the Working Group, the Department has taken a number of actions to reduce congestion and increase customer satisfaction, including:

- Completion by the end of this summer of 17 key operational improvements proposed by the ARC;
- Establishing an executive-level Director position at the FAA to head the New York Area Program Integration Office;
- Amending the Airports Rates and Charges Policy, allowing airports to manage congestion at the local level;
- Publishing a final rule on denied boarding compensation;
- Creating a Tarmac Delay Task Force;
- Publishing a final rule to enhance delay data reporting;
- Publishing an Advance Notice of Proposed Rulemaking to enhance consumer protections, including tarmac delay contingency plans, requiring responses to consumer complaints, and requiring publication of consumer data; and
- Creating a chronically delayed flight enforcement regime to pursue unrealistic scheduling.

The Department has also set forth significant rulemaking proposals aimed directly at reducing congestion in the system. As mentioned, one third of all U.S. air traffic passes through New York airspace. This concentration of traffic has prompted the Department to take special action in the New York area. Recently, the Department published notices of proposed rules intended to manage congestion and introduce competition at LaGuardia Airport (LaGuardia), John F. Kennedy International Airport (JFK), and Newark Liberty International Airport (Newark). We believe these proposals will ultimately provide travelers with more reliable service while maintaining competition among the many carriers in a vibrant New York market.

As you know, the three New York airports are all operating under a cap. Caps solve the problem of congestion because they simply freeze capacity and stop additional flights from flooding the system. Airlines are often enthusiastic in their support of caps at an airport they already serve. When a cap is established, incumbent airlines are protected because they typically maintain their market share and the potential for new competition is diminished. The incumbent airlines' support for such a policy makes sense, because limited competition makes them more profitable and protects them from new entrants that might want to compete by offering lower fares. This limitation on capacity and competition naturally leads to fare increases at an airport, because it creates a scarce commodity, and passengers pay a premium for that commodity.

Unfortunately, straight caps without some mechanism to ensure an efficient allocation of scarce slot resources is economically inefficient and stifles competition – leading to reduced service and higher fares for consumers. Granting slots without market-based mechanisms creates a system where incumbent airlines fight to maintain large shares of the airport traffic and to limit the ability of low-cost carriers to compete. The 1996 DOT report *Low Cost Airline Service Revolution* details this anticompetitive culture at capped or dominated airports. The report identifies slot hoarding as one of the key characteristics of such a culture. Federal regulations require airlines to use their slots at least 80 percent of the time in order to retain possession of them. However, by splitting up larger flights into smaller ones (“downgauging”) or by setting up a rotating schedule, airlines have unnecessarily taken up more slots than they would require to competitively serve their customers. Slot hoarding prevents new entrants from taking available slots and increases airplane throughput without increasing passenger throughput, adding greatly to congestion. The report maintains that the high fares charged at these dominated airports create incentives for an airline to use anticompetitive measures to discourage new entrants.

Using the historical backdrop of slots as a guide, we believe that integration of a market-based system into the proposal for slot caps is necessary to protect consumers and a competitive market. Estimates from the DOT’s 1996 report valued savings from new entry competition at 35 percent for round-trip flights and 40 percent for one-way flights. A case-specific study on the effect of Southwest Airlines noted that with the opening of just one route between Oakland International Airport and Ontario International Airport in Los Angeles, fares dropped 60 percent and traffic tripled, increasing both passenger throughput as well as savings for consumers. Even nearby airports not directly offered service experienced a decrease in fare costs of up to one-third. Southwest is just one example of low-cost carriers whose entry into the market drove down prices and increased passenger throughput at previously dominated airports.



This is why caps alone are not the best solution for improving travel options for passengers and why caps must be combined with some mechanism to preserve competitive market forces to benefit aviation consumers or the airlines. When we consider economic regulatory issues, the Department has a statutory obligation to place maximum reliance on competitive market forces and on actual and potential competition. We know, however, that caps hinder the ability of air carriers to initiate or expand service at capacity constrained airports. Therefore, when seeking a solution to the aviation congestion issues that we currently face in the New York area, the Department must act to both promote competition by permitting access to new entrants, and to recognize the long-term investments in airports made by existing carriers.

Keeping in mind the need to reduce congestion while simultaneously promoting competition, we have set forth proposals for the New York area airports that we believe would reduce congestion the smartest way—by using market incentives to assist in the efficient allocation of airspace. Opponents of market incentives have suggested that only caps will reduce congestion. We do not agree. We believe market incentives will encourage more efficient use of available airspace and should result in a greater throughput than under a system using pure caps. Consequently, we expect fewer delays per passenger. For example, to the extent that airlines choose to absorb costs associated with our proposed market incentives by “up-gauging” to larger aircraft, passenger throughput will increase, effectively reducing congestion for a greater percentage of the traveling public.

Although market-based mechanisms are the most effective way to allocate scarce resources—like slots—we have taken a very conservative approach to introducing these mechanisms with this proposal. The vast majority of hourly operations at the airport, as much as 90 percent or more, would be “grandfathered” and leased to the existing operators for non-monetary consideration. The market-based aspect of our proposal involves auctioning off leases for only a limited number of the remaining slots and treats domestic and foreign carriers equally.

We are firmly committed to the idea that any long-term solution to mitigate congestion in the Nation's airspace must include a market-based mechanism. Caps alone have proven to be insufficient, and perpetuating the kinds of delays we experienced in the summer of 2007 is not tolerable.

*Conclusion*

Chairman Rockefeller, Senator Hutchison, Members of the Subcommittee, this concludes my prepared remarks on behalf of myself and Mr. Reynolds. We look forward to answering any of your questions.