STATEMENT OF MICHAEL P. HUERTA, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION, BEFORE THE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON TRANSPORTATION AND HOUSING AND URBAN DEVELOPMENT, APRIL 24, 2013.

Chairman Latham, Ranking Member Pastor, Members of the Subcommittee:

Thank you for the opportunity to speak to you today. This is the first time I am testifying before you as the confirmed Administrator of the Federal Aviation Administration (FAA). I sincerely hope to enjoy a long and effective relationship with you and this Subcommittee.

The FAA's FY 2014 Budget request of $15.6 billion strikes a balance between maintaining current infrastructure while deploying key NextGen benefits to our stakeholders, upholding our critical safety programs, and modernizing our aviation infrastructure at funding levels that are $351 million lower than FY 2012. This is a 2.2 percent decrease, which is part of the President's effort to reduce the deficit.

The FAA's Operations request of $9.7 billion represents an increase of just 0.6 percent above the FY 2012 enacted budget. This funding level includes $30 million to provide maintenance for newly transitioned En Route Automation Modernization (ERAM) systems, as well as modest inflationary adjustments for FAA's workforce, rent and lease increases, and costs for a Service Center building project.

This budget includes program adjustments of $62 million from the FY 2012 level in the Air Traffic Organization. To achieve these savings, ATO will be evaluating cost savings

and efficiency gains in the following areas: Contract Weather Observations, Facility Realignments and Consolidations, and Very High Frequency Omnidirectional Range (VOR) Minimum Operational Network (MON).

The budget allows FAA to meet the challenge of both maintaining the capacity and safety of the current National Airspace System (NAS) while keeping our comprehensive modernization and transformation efforts moving forward. The Facilities and Equipment (F&E) request of $2.8 billion represents a 1.7 percent increase from the FY 2012 enacted level.

The F&E NextGen portfolio is $928 million in FY 2014, a 7.5 percent increase above the FY 2012 enacted level. This funding provides FAA with the resources needed to continue our ongoing NextGen modernization activities, including nation-wide Automatic Dependent Surveillance – Broadcast (ADS-B) deployment. It also provides for follow-on ERAM development for future NextGen capabilities and publication and accelerated development of Precision Based Navigation (PBN) procedures that will provide greater flexibility in the NAS and to facilitate more dynamic management of air traffic. The remainder of our investment – representing over $1.8 billion – will be in legacy areas, including aging infrastructure, power systems, information technology, navigational aids, and weather systems.

The FY 2014 Research, Engineering, and Development (RE&D) request of $166 million is a $1.5 million (1.0 percent) decrease from the FY 2012 enacted level. This supports

FAA's continued work in both NextGen and other research areas such as fire safety, propulsion systems, advanced materials, aircraft icing, and continued airworthiness. The RE&D NextGen portfolio is $61.4 million, an increase of $1.6 million above the FY 2012 enacted level, and supports NextGen-specific research into wake turbulence, human factors, and clean aircraft technologies. This includes $12 million for the Joint Planning and Development Office (JPDO) to continue their leadership in coordinating interagency initiatives.

The FAA must meet our nation's growing need for UAS. Our RE&D request provides $7.5 million to support this critical area through research on UAS technologies which directly impact the safety of the NAS. The program is focused on sense and avoid and command and control requirements that will support the safe integration of UAS in the NAS within the 14 Code of Federal Regulations regulatory framework.

The NextGen Alternative Fuels for General Aviation program is requested at $5.6 million in order to support the recommendations of the Unleaded Avgas Transition Aviation Rulemaking Committee. Funding for the Environment and Energy program is requested at $33.5 million. This program supports a range of activities, including research to mature certifiable clean and quiet aircraft technologies, and develop sustainable fuels. The program also supports enhanced NextGen environmental research via the Continuous Low Energy, Emission and Noise (CLEEN) program and other vehicles.

Airports remain a critical part of the aviation system infrastructure. Our FY 2014 request provides the funding needed to ensure safety, capacity, and efficiency at our nation's airports through a combination of grant funding and an increase in Passenger Facility Charges (PFCs). Our $2.9 billion request supports our continued focus on safety-related development projects, including runway safety area improvements, runway incursion reduction, aviation safety management, and improving infrastructure conditions.

The FY 2014 Budget proposes to lower funding for Airport Grants to $2.9 billion by eliminating entitlement funding for large hub airports while maintaining discretionary eligibility. To assist the airports that need the most help, the budget focuses traditional federal grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other sources of capital. At the same time, our proposal allows airports to increase non-Federal Passenger Facility Charges (PFC) from the current maximum of $4.50 to $8.00 which provides them with greater flexibility to generate their own revenue. If all commercial service airports increase the PFC collection to $8.00 they could generate $2.39 billion in additional funding for airport projects.

The FY 2014 budget proposes that we work with the insurance companies and air carriers to build private capacity to insure against war risk occurrences. Our co-insurance proposal would build this private capacity through a transition period where risk is shared between the FAA and private insurers. In the first year of transition, the FAA would bear the majority of the risk, easing private insurers back into the market.

Private parties would play a large role in setting terms, conditions and pricing of coverage under the proposed arrangement. Air carriers and insurers would have flexibility to develop terms and conditions that meet the carriers' needs while enabling the insurers to offer coverage at affordable prices. The FAA is ready to work with insurers and carriers to find parameters that make for viable coverage under this proposal.

Under the co-insurance proposal, FAA and commercial insurance providers would jointly underwrite a common policy. In the case of a claim, FAA would pay an established fraction of the losses (for example 80 percent), and a commercial insurance company would pay the remainder. Air carriers would be free to negotiate the charge for the commercial fraction of the coverage with the insurance company. For FAA's share of the risk, FAA would charge the lesser of the current cap and a rate proportional to what the commercial insurance company is charging under the same policy.

This budget supports continued progress on our NextGen efforts. The entire FY 2014 NextGen portfolio totals $1.002 billion distributed among F&E programs ($928.1 million), Research, Engineering & Development programs ($61.4 million) and Operations activities ($12.6 million). This investment portfolio reflects an increase of $67.2 million, or approximately 7 percent, above the FY 2012 enacted level. This level of program funding enables the FAA to continue to support near-term NextGen commitments in a budget-constrained environment.

While the thrust of our work focuses on U.S. airports, airspace and aircraft, the FAA actively engages with global aviation partners to ensure operators receive benefits anywhere in the world.

One immediate benefit to the public is the NextGen Metroplex initiative. The FAA is working to improve the efficiency of airspace above congested metropolitan areas by designing precise GPS routes that will accelerate benefits while reducing bottlenecks and congestion. These routes will enhance safety and efficiency, and foster the flow of commerce. Satellite-based navigation is expected to cut a total of seven million nautical miles from flight plans around these cities each year. These routes, together with gradual descents that cut back on engine power, are projected to save at least 22 million gallons of fuel. For these cities, this represents total reduction in carbon emissions of 220,000 metric tons. That is the equivalent of removing more than 43,000 cars from the streets.

FY 2014 will see the continuation of NAS-Wide deployment of the Automatic Dependent Surveillance–Broadcast (ADS-B), the cornerstone of our transformation to satellite enabled, GPS-based navigation. We expect the total complement of about 700 radio stations to be in place and operating by early 2014. FY 2014 funding is also included for the development of ADS-B software requirements for the Advanced Technologies and Oceanic Procedures (ATOP) automation platform.

In December 2011, the FAA announced contract awards to analyze fuel quality control procedures, conduct jet engine durability tests with alternative fuels and perform key

testing to support qualification and certification of jet biofuels from alcohols, organic matter and other renewable materials. We expect these activities to support the next round of jet fuel approvals, scheduled to begin in 2014.

NextGen's contribution to our nation's economic recovery and future leadership is critical. We recognize the fiscal challenges our nation faces. America's future demands that we continue to invest in modern technologies that pave the way for tomorrow's capabilities. We continue to work in full partnership with industry, other agencies and departments, and with our labor groups to achieve a shared vision, leveraging powerful technologies and setting new standards for the future of global aviation.

Safety has always been FAA's number one mission, and our National Airspace System (NAS) has never been safer. There has not been a fatal commercial passenger accident in the United States since 2009. That represents approximately 39.7 million flights that were operated safely. I am proud of the hard work that has gone into providing a basis for achieving this level of safety. As we move forward into 2013 and beyond, U.S. aviation is experiencing its safest period ever, and the dedicated men and women of the FAA will continue working diligently to maintain safe operations within the NAS.

We are achieving this next level of safety by making our programs smarter and more data-driven. Our nation's safety record is a direct result of an unwavering commitment by government and industry to work together to monitor data and identify trends to prevent accidents. Instead of a reactive, forensic approach to safety management, we are

identifying and mitigating conditions or trends that have potential to give rise to safety problems. The only way to prevent accidents before they happen is to accurately identify risk areas and work to mitigate them. This is possible due, in part, to voluntary reporting for both FAA and industry employees, safety management systems (for both FAA and industry) and the creation of the Aviation Safety Whistleblower Investigation Office. All of these efforts have been providing the agency with data and information to which we have never before had access. More information results in FAA being able to see trends that could lead to accidents, and mitigate the associated risks to prevent accidents from happening. Adjusting the safety culture to ensure employees that they can provide information without fear of reprisal is a cornerstone of our approach to safety.

In 2012 we continued to expand the Aviation Safety Information Analysis and Sharing (ASIAS) system, which now covers 95 percent of all commercial flights in the United States. This system allows airlines to share operational data and voluntary safety reports with each other and the FAA. ASIAS and other data analysis tools are constantly making our aviation system even smarter. With these tools, we are able to conduct more comprehensive safety and performance analysis, and share this information with industry stakeholders.

With regard to the Boeing 787, last week we approved Boeing's design for modifications to the Dreamliner’s battery system. These changes are designed to address risks at the battery cell level, the battery level and the aircraft level. We will require airlines that operate the 787 to install containment and venting systems for the main and auxiliary

system batteries, and to replace the batteries and their chargers with modified components. Instructions are being issued to operators for making changes to the aircraft that will allow the 787 to return to service. To assure proper installation of the new design, FAA will closely monitor modifications of the aircraft in the U.S. fleet. We will stage teams of inspectors at the modification locations. Any return to service of the modified 787 will only take place after FAA accepts the work.

We all know the importance of aviation to America and the global economy. Aviation creates jobs and trade, and it connects us to destinations near and far. The forecast we released March 6 shows that aviation will continue to expand both domestically and internationally over the coming decades. And traffic volume for U.S. carriers is expected to rise by more than 75 percent in the next two decades.

Last year, 737 million people flew on U.S. carriers, and we anticipate that number to hold steady this year. Our future outlook shows continued positive growth. In fact, we can expect roughly 400 million more people flying 20 years from now, an increase equal to more than today's U.S. population.

It is essential to the effective management of FAA's programs to have stability and predictability that can be relied upon. The many authorization extensions over the last few years took a toll on FAA's work in certain areas until the Federal Aviation Reauthorization Modernization and Reform Act of 2012 offered the stability essential to our agency's ability to meet the current demands of both air traffic and aviation safety.

For many years, FAA labored under the uncertainty of temporary reauthorizations. Now sequestration places us in an even more extreme uncertainty. FAA has worked hard to plan for sequestration cuts. Seventy percent of FAA's Operations budget is dedicated to employee salaries and benefits, so they must bear a significant portion of the cuts. I can assure you that safety is the FAA's top priority. If sequestration means fewer flights can be safely accommodated in the NAS, then there will be fewer flights.

On March 5, FAA began issuing furlough notices to over 47,000 employees. There will be one furlough day per bi-weekly pay period, for a maximum of 11 days through September 30. We issued final furlough determination notices to employees in early April. We are also planning to eliminate midnight shifts in over 70 towers across the country, close over 149 air traffic control towers at airports with fewer than 150,000 flight operations or 10,000 commercial operations per year, and reduce preventative maintenance and equipment provisioning and support for all NAS equipment. All of these changes are being made in collaboration with our stakeholders and our unions.

As a result of employee furloughs and prolonged equipment outages resulting from lower parts inventories and fewer technicians, travelers should expect delays. Flights to major cities like New York, Chicago, and San Francisco could experience delays of up to 90 minutes during peak hours because we will have fewer controllers on staff. We are aware that these service reductions will adversely affect commercial, corporate, and general aviation operators. We also expect that, as airlines estimate the potential impacts of these furloughs, they will change their schedules and cancel flights.

Beyond the impacts to air traffic, aviation safety employees will also experience furloughs. This will impact airlines, aviation manufacturers, and individual pilots who need FAA safety approvals and certifications. While the agency will continue to address identified safety risks, a slowed certification and approval process due to furloughs could negatively affect passengers and all segments of the aviation industry.

We all want the same things. We want to get better at what we do, think smarter, improve safety, streamline certification, and remain the agency that can work collaboratively with the world to develop safer and more efficient practices. Sequestration will not stop us from trying to attain these goals, but it will make it much, much harder.

Despite these uncertain times, the demand for aviation and its services will continue to grow, and that is why it is critical that we invest smartly. Our world will continue to be even more interconnected, and aviation will continue to be a pillar of the global economy. NextGen will help us meet the challenges that lie ahead, as we transform from ground-based radar to satellite-based navigation, a work we are performing in collaboration with our industry partners. We are seeing its benefits already, and will continue to do so in the coming years as it becomes an even more integral component of our aviation system.

In 2012 we made several noteworthy strides delivering NextGen benefits to operators and the traveling public. Laying the groundwork is our En Route Automation Modernization

(ERAM) program, the platform upon which NextGen capabilities will be realized. This enabler of NextGen has been deployed at over half of our facilities controlling high-altitude air traffic, and eight En Route centers are now using ERAM as their primary means of controlling aircraft. Five NextGen transformational programs are now under contract, most recently Data Communications and NAS Voice System. We also deployed the Automatic Terminal Proximity Alert tool in several locations, which has helped air traffic controllers better manage aircraft spacing to safely achieve optimal efficiency on final approach. And our System Wide Information Management tools are providing National Airspace System users with more precise weather information and airport surface data.

This past year, our deployment of satellite-based Performance Based Navigation (PBN) procedures increased both safety and capacity across the country as part of our Metroplex initiative. From northern California to southern Florida, we are implementing PBN to more efficiently use our nation's airspace for direct routing. In addition, through data analysis, procedure improvements, and effective training for controllers as well as pilots, we safely modified the separation standards for approaches to parallel runways at a number of busy airports. Taken together, these initiatives are helping airlines improve on-time performance, reduce fuel consumption, and deliver travelers to their destinations more efficiently.

We continue to engage through our work with Optimization of Airspace and Procedures (OAPM) initiatives, which are being done in close collaboration with industry and

stakeholders. OAPM is actively working in nine of the 13 metroplexes identified in Phase 1 of the program. Of these, one (Houston) is currently in the implementation phase with two additional sites planned to start implementation of the new procedures later this summer (DC and North Texas). The metroplex initiative optimizes procedures in a geographic area where there are a number of airports, rather than focusing on each airport separately. Through this initiative, we are untangling our busiest airspace and creating more direct routes, cutting fuel usage, and becoming more environmentally-friendly. In the congested airspace in the skies above our busiest metropolitan areas, these new modifications are being put in place in three years, much more quickly than the five to ten years it had taken previously. We are also actively engaged with our industry and government partners in the development of NextGen through, for example, the NextGen Advisory Committee (NAC). This group is helping to guide many aspects of our air traffic modernization work. The NAC also works on developing and recommending NextGen performance metrics.

Another key component of NextGen is reducing aviation's impact on the environment. Last year we advanced a number of critical initiatives towards this goal. We made great headway in developing a replacement for leaded aviation gasoline through our collaboration with industry and technical research. We partnered with industry through our Continuous Lower Energy, Emissions, and Noise (CLEEN) program to test aircraft with new wing and engine designs, as well as a blended sustainable biofuel. And we are collaborating with our nation's airports to develop renewable energy sources and sustainability to reduce emissions. For example, this year we provided Airport

Improvement Program (AIP) grants to Chattanooga Metropolitan Airport for construction of a 4,000 panel solar farm, and to Chicago O'Hare International Airport for low-emission electrical power units used by aircraft parked at the gate.

While NextGen is delivering benefits now, it also builds for the future. Similarly, the past year we made progress toward ensuring safety in industry segments where we anticipate significant growth in the coming years: Unmanned Aircraft Systems (UAS) and Commercial Space Transportation. FAA employees are working creatively with our industry partners to meet the challenges of these dynamic sectors.

We are working to safely integrate Unmanned Aircraft Systems into our national airspace. In March of 2012, the agency created a new UAS integration office. The office serves as the FAA's one-stop portal for all matters related to civil and public use of UAS in the NAS. The FAA is in the process of drafting the initial Notice of Proposed Rulemaking for small UAS. In addition, on February 14, 2013, the FAA released the Screening Information Request (SIR) to outline the process in which the FAA would collect, evaluate and select six test sites across the country to test unmanned aircraft systems. We plan to select those UAS test sites by the end of this calendar year.

Just as with unmanned aircraft, the FAA is working to safely integrate commercial space operations into the national airspace system as well. To date, the FAA has licensed 215 commercial space launches and reentries. They have gone off without a fatality, a serious injury, or significant property damage. Last year, we licensed the historic launches of the

SpaceX Falcon 9 rocket – marking the first time a commercial company delivered cargo to the International Space Station. Missions like these continue to demonstrate the viability of the commercial space industry. The FAA has also licensed a total of eight commercial spaceports. In FY 2014, our commercial space division is requesting to convert four contract resources to federal employees so they can expand their workload to include responsibilities that are inherently governmental. These additional duties would include safety inspections, compliance assessments, regulatory activity support, and inter-agency coordination efforts to create common safety standards.

Efficiencies are not just for the future. Given the economic challenges we are facing, FAA has worked very hard to find cost savings and we have been quite successful. Even before sequestration, we have set a target of $91 million in cost savings for fiscal year 2013. We recognize that the status quo is not an option and we will continue to strive to achieve additional efficiencies moving forward.

Last year we made great strides in finding efficiencies, leveraging our resources, empowering our employees, and making greater use of technology to perform our core mission. Through a congressional reprogramming request under our Foundation for Success initiative, we streamlined finance, information technology, acquisition, and other essential functions within a shared services organization. The results included enhancing delivery of information technology services at a lower unit cost. Additionally, the FAA's Aeronautical Center, which supports the NAS as well as international partners, generated nearly $16 million in cost savings or avoidance last year through streamlining processes

and continuous improvement initiatives. Overall in 2012, we generated nearly $94 million in cost savings or avoidance through control measures and innovative business solutions.

One of our most significant accomplishments of the year came in the wake of one of the nation's biggest challenges. Hurricane Sandy devastated homes and infrastructure throughout the northeast. Though the region's airports experienced flooding and other significant damage, our technical staff worked around the clock to restore airfield and air navigation systems to operational status. Their hard work and dedication to the FAA's mission resulted in the restoration of normal air traffic operations just days after the storm. Seeing our workforce's efforts to prepare for and rebuild after this unprecedented storm is one of my proudest moments as head of the FAA. The agency is grateful for the $30 million in emergency relief funding entrusted to us by this committee. We are already putting these funds to good use to repair roofs and walls at FAA facilities, navigation and landing systems, power systems, and other structures and equipment. In total, the funds will support 59 repair projects at 21 different locations.

In the current fiscal climate, we must find ways for FAA's employees to work smarter and enhance our productivity. FAA must not only meet our day to day responsibilities, we must also look to the future and figure out how to shape the agency to meet the demands and opportunities of the future. We are actively engaging our employees in the development of recommendations for facilities consolidation and realignment. As noted earlier, the U.S. aviation system is going through significant, even revolutionary changes.

NextGen is a major transformation which will increase our efficiency and safety, reduce delays and reduce fuel consumption. UAS have the potential to change the face of aviation. In the midst of these changes, budget pressures are making us ask hard questions about what the FAA needs to deliver in the coming years to ensure the safety and efficiency of the NAS and how to do it most cost-effectively.

Finally, it is essential that we chart innovative and collaborative ways to engage with all segments of the aviation sector, from airlines to association groups, to general aviation, to unions. We must embrace the opportunity to make long-lasting changes together that ensure a vital and vibrant aviation industry that serves the needs of this nation.

I am extremely proud of our achievements. While I recognize there is still much work to be done, I know we are up to the task. In the years ahead we will strive to build on these achievements. We will work towards making the safest aviation system even safer and smarter; accelerate the benefits of new technology; and empower employees to increase efficiencies and spur greater innovations. The decisions we make over the next few years are going to affect the air transportation system in the United States for decades to come, and I am eager to work with you and your colleagues to reach the next level of aviation safety and efficiency.

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