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Now with the summer of 2,000 happily behind us—albeit arguably extended for some indeterminate period of time by the La Guardia situation—I'd like to overview a cluster of intertwined issues that seem to be coming to a head—Delays, Cancellations, Customer Service, ATC Modernization, Airport Infrastructure, and Safety.

What we essentially have is a deregulated system, that — in terms of reduced fares and number of routes served—has been extremely successful overall. But a clear incident of that success, coupled with the economy and an ostensibly insatiable appetite for air travel at low fares, is that we have bumped up against the physical limits of the infrastructure (or at least that infrastructure the airlines judge is economically beneficial to use.)

You probably have heard that the first 8 months of 2000 experienced record delays and cancellations. The tolerable pain threshold was crossed this summer.

We have small windows of opportunity before the cycle begins again. The months of September, October and most of November and February generally represent those windows.

A recommendation we made, and a key point I want to reiterate here is that a key question must be answered.

Specifically, what is the departure and arrival rate by time of day at the top 30 airports that, under good weather conditions, can reasonably be accommodated without experiencing major delays? We need answers to this question at 3 points in time, the immediate term (the next year or two); the intermediate term (next 4 or 5 years) and the longer term 8 to 10 years).

Administrator Garvey, I believe, is committed to doing just this and we've been advised it can and will be done during the windows of opportunity I alluded to. I know first-hand of at least one carrier (and I suspect there are more) that are adjusting their schedules with this objective in mind.

For the benefit of all concerned, we need a set of capacity benchmarks or baselines to under-

stand the impact of scheduling and what relief can realistically be provided by the ATC modernization effort, ATC procedures, and new ground infrastructure.

Otherwise, it's like building a house without knowing the dimensions of the foundation on which the house will be built.

The relevance of the time frames—immediate, intermediate, and long term, is this—new runways or technology that may be in place 5 or 10 years hence hold promise for the future, but offer little bottom line relief now, there is no point in talking about them as if they do. Conversely changing flight altitudes for regional jets may offer some short-term relief.

I'd like to share several data-based observations to illustrate just how serious the situation has become.

- Last year, 1 in 5 flights arrived late, with each delay averaging about 50 minutes. Today it's nearly 55 minutes. When cancellations are added, nearly 1 in every 4 flights, either arrived late or were cancelled. We're talking nearly 1.5 million flights delayed or cancelled this year, perhaps more.
- The number of flights with taxi-out times of 1 hour or more increased 130% over the past 5 years—Nearly 85% of your delay time will happen on the ground.
- To compensate for growing delays, the airlines expanded flight schedules—that is added time—on nearly 80% or 1,600 domestic routes over the past decade. This is not counted in the delay statistics.

Safety

The debate on delays is often framed along lines of inconvenience and inefficiency, but what of safety? The fact is that delays are occurring against the backdrop of a remarkably safe system, but one that is increasingly showing signs of strain.

- The Runway Incursion numbers are alarming. The numbers show that runway incursions have increased 60% from 200 in '94 to 321 in '99.

- Runway incursions continue to rise despite significant focus by FAA and the aviation community. There already have been 322 runway incursions this year, surpassing the 1999 total. At this rate, the number of runway incursions this year will likely surpass 400—the highest ever.
- The rate of runway incursions per 100,000 operations is also increasing, not just the absolute numbers.
- Operational Errors. These occur when an air traffic controller does not ensure that separation standards are maintained between aircraft. These incidents, which occur mostly in mid-air have risen over 50 percent, from 764 to 1,154 during 1996 to 2000. Once again, both the absolute numbers and the rate of operational errors are increasing.

Air Traffic Control Equipment

We need to know what can be realistically expected from FAA's investments in new technology. There is a good deal of confusion on this point.

The expectations were high—almost as though technology was a magic bullet and could work miracles even without a major expansion of ground infrastructure. The interplay b/w technology and ground constraint was murky. This traces back to the days of the Advanced Automation System.

Under AIR-21, FAA will invest about \$9 billion on ATC modernization in the next several years. With this in mind, there are several factors to consider.

First, most of FAA's modernization effort is geared to replacing aging equipment with modern equipment that is easier to operate and maintain, and is more reliable. Examples of these systems include DSR and STARS. But, they do not, in and of themselves, provide capacity enhancements.

There have been a number of successes with these efforts and much of the equipment controllers use at en route centers is new, not antiquated.

Second, FAA's Free Flight Phase 1 (FFP1) initiative with an estimated cost of over \$700 million (Fiscal Years 1998 to 2004) is now the agency's key effort for enhancing the flow of air traffic

between now and the 2002 timeframe, when FFP1 is expected to be complete.

FFP1 is an *initial step toward* Free Flight and is a limited deployment of new information sharing technologies and automated controller tools at selected locations.

FFP1 will help in the sense that it will provide incremental improvements but it should not be viewed as a panacea.

Finally, new communication, navigation, and surveillance technologies for enhancing capacity and moving toward Free Flight are longer-term efforts. These efforts involve cutting-edge technologies and include, among others, satellite navigation (\$3.7 billion) and Controller Pilot Data Link Communications (\$166 million for initial steps). A sizeable portion of benefits from satellite navigation is the time passengers are expected to save once the system is in place. However, these savings include small increments of time—a minute or less per trip—which passengers may not value and the benefits accrue over many years.

We feel the extent of this impact and when it is expected to occur should be clarified by FAA, particularly in light of the additional demands that will be placed on the system in the years ahead.

4 Big Caveats here:

- (1) Technologies and the human interface with them such as free flight and satellites must be nearly flawless and systems must perform at incredibly high reliability standards. Keep in mind that they are being developed and built not in some government factory, but by world class private sector organizations. And things are still not moving as fast as we would like.
- (2) I think it is important to recognize new technology must go hand in hand with ground infrastructure. The benefits can only be maximized when these things are brought together.
- (3) FAA's experience has been that when incremental or marginal improvements are achieved, the demand quickly fills up any dent made in capacity.

- (4) All these planes in the air – where to put them? Even with technology, they still must have a place to land and take-off.

Airport Enhancements

Large strides in capacity can be achieved through new runways and airports. But runway projects and new airports take years to approve and complete, and the local approval process can be protracted and sometimes a showstopper. Just as it is with highways and bridges.

Thanks to AIR-21 and PFCs, and unlike so many other areas of governmental responsibility, funding is not the issue. But many of the runway projects being funded will not be completed for years and, in others, the local community is not of one mind on whether an expansion project or new airport is desirable.

Between 1991 and 1999, a total of 5 new runways were added at the 29 largest airports with another 15 either under construction or proposed. With the exception of two of these new runways, most will not be opened for another 3 to 7 years.

In terms of new airports, you know the story. Denver opened in 1995 and has been quite successful. But, as illustrated by Mid-America Airport, establishing a new commercial airport does not guarantee it will be used. It may sit idle, even when the local community wants it to be used.

The shift in focus to what can be done on the ground with respect to infrastructure, is opening up another set of issues concerning the relationship of the Federal government with states and local communities.

We now have a huge infusion of funds available through AIR-21, and also the increase in PFCs, for airport projects. While that reflects federal policy, the crucial decisions on the ground are under the domain of local airport authorities— municipalities, counties, and State governments.

Indeed, a case can be made that FAA should be more aggressive in addressing such issues as where funds for projects are best directed and facilitating resolution of obstacles. But this would represent a fundamental and controversial change. By this, I mean it would raise questions

about whether this is an appropriate role for the Federal government before the state and local governments have sorted through the issues for themselves.

In any event, until we get a handle on this and there is more ground capacity in locations where it will be used, more attention will be given to various options and approaches dealing with capacity and infrastructure issues, such as:

- local control of inbound and departing flights, like the moratorium at LaGuardia; Local community filling the void and taking things into its own hands.
- Is there a way scheduling can be discussed by the airlines and the government without running a foul of the antitrust laws.
- peak hour pricing, which will increase fares in certain hours and could cause reductions in service to regions less attractive from an economic standpoint; what would happen to the proceeds, which would be substantial, if they are not used for new runways or airports; also, very interesting logistics issues for the hub and spoke system – which relies on large arrival and departure _____ at peak hours; and
- lotteries of available schedule slots. This is a good option from the winners point of view, but a lottery, by definition, means there are losers. The devil is in the details.
- General aviation, business and private, and their continued ability to use tower services and runways at peak periods for non-emergency or non-public service purposes without additional cost.

For most of this year, we have seen a lot of finger-pointing between FAA and the airlines. That has subsided a great deal, and attention is turning to a more constructive approach. A difference is that the attention is now also focusing on what the airports and local communities are doing—and will be doing—with the very substantial flow of funds from AIR-21 and PFCs. Will the \$ translate into decisions to expand capacity in a major way.

Customer Service Commitments

Where do they fit in? The commitments and things the airlines are doing over and above the

commitments are the by-product of a wake-up call. We see on a number of fronts the emergence of much greater attention to customer service.

But, the bottom line is that the commitments do not directly address underlying reasons for customer dissatisfaction, such as extensive flight delays, baggage not showing up on arrival, long check-in lines, and high fares in certain markets. In our opinion, until these areas are effectively addressed there will continue to be discontent among air travelers.

What happened was this:

- Concerned over increasing air travel complaints compounded by the Detroit airport incident when hundreds of passengers were stuck in planes on snowbound runways for about 8 hours, Congress considered whether to enact a “passenger bill of rights.”
- Congress agreed that, for the time being, legislation would not be necessary. Instead, ATA and its member airlines executed a document in June 1999, known as the Airline Customer Service Commitment.
- The commitment addressed matters such as improved communication with passengers about delays and cancellations, quoting the lowest available airfare, holding the quoted fare and reservation for 24 hours, the return within 24 hours of misrouted or delayed baggage, disclosing overnight accommodation policies, and meeting passenger’ “essential needs” during long on-board delays.
- In June we issued our interim report. By December the airlines will have had a full year in which to fully implement their plans, and we will be better able to judge the results at that time.
- In our initial observations and testing, we found the airlines were making a clear and genuine effort at strengthening the attention paid to customer service, but bottom-line results are mixed, and the airlines clearly had a long ways to go to restore customer confidence.
- The results include areas where the airlines can improve greatly upon the accuracy, reliability, and timeliness of communications to customers about the status of flights.

I don’t want to go beyond this at this time—except to note that the Airlines clearly know that

customer service is on the front burner; there is a strong correlation between courteous and expeditious service, and a flight free of delays or cancellations.

But the airlines did not commit to a reduction in delays or cancellations. The trigger for most of the commitments the airlines agreed to is a system failure of some sort, such as accurately telling consumers about delays or cancelled flight, returning baggage that did not show up on arrival, or taking care of customer's "essential needs" during extended on-board aircraft delays.

We are greatly encouraged by a more collaborative, constructive approach between the airlines and FAA-I see a clear moderation of the finger pointing in the last month or two. I also see an increasing amount of attention to ground infrastructure, which I think is healthy.

The answer lies in a cumulative mix of solutions—scheduling, ground infrastructure, technology, and airspace redesign are among them. A healthy system must address all of these. Capacity benchmarks or baselines will provide a common foundation and understanding from which we can work.