

**Future of Aviation Advisory Committee
Record of Meeting**

July 14, 2010

Federal Aviation Administration Southern Region Headquarters
College Park, Georgia

Public Announcement

The U.S. Department of Transportation (DOT), Office of the Secretary of Transportation, announced to the public this Future of Aviation Advisory Committee (FAAC) meeting in a Federal Register notice published June 28, 2010 (75 FR 36772).

Committee Members in Attendance

Name	Affiliation(s)	
Susan Kurland (Committee Chair)	Assistant Secretary for Aviation and International Affairs	DOT
Juan J. Alonso	Associate professor, Department of Aeronautics and Astronautics	Stanford University
Susan M. Baer	Director, Aviation Department	Port Authority of New York & New Jersey (PANY/NJ)
David Barger	President and Chief Executive Officer	JetBlue Airways Corporation (JetBlue)
Bryan K. Bedford	Chairman, President and Chief Executive Officer	Republic Airways Holdings, Inc. (Republic Airways)
Severin Borenstein	Professor, Haas School of Business	University of California, Berkeley (Haas School of Business)
Thella F. Bowens	President and Chief Executive Officer	San Diego County Regional Airport Authority
John M. Conley	International Administrative Vice President and Air Transport Division Director	Transport Workers Union of America (TWU), American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)
Cynthia M. Egnotovitch	Segment President, Nacelles and Interior Systems	Goodrich Corporation (Goodrich)
Patricia A. Friend	International President	Association of Flight Attendants (AFA)–Communication Workers of America (CWA), AFL-CIO
Robert L. Lekites	President	United Parcel Service Airlines (UPS)
Ana McAhrn-Schulz	Director of Economic and Financial Analysis	Air Line Pilots Association, International (ALPA)
William J. McGee ¹	Travel and Aviation Consultant	Consumers Union
Daniel McKenzie	U.S. Airlines Research Analyst	Hudson Securities, Inc.

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Name	Affiliation(s)	
Jack J. Pelton	Chairman, President, and Chief Executive Officer	Cessna Aircraft Company (Cessna)
Nicole W. Piasecki	Vice President, Business Development	Boeing Commercial Airplanes (Boeing)
Raul Regalado	President and Chief Executive Officer	Metropolitan Nashville Airport Authority
Glenn F. Tilton	Chairman, President, and Chief Executive Officer	UAL Corporation (United)
Christopher J. Williams ²	Chairman and Chief Executive Officer	The Williams Capital Group

Other Officials Present

Name	Affiliation(s)	
Pam Hamilton (Designated Federal Official (DFO))	Director of Rulemaking	Federal Aviation Administration (FAA)
Douglas Murphy	Southern Region Regional Administrator	FAA Southern Region Headquarters
Pearlis Johnson	Southern Region Deputy Regional Administrator	FAA Southern Region Headquarters
Gregory Woods	Deputy General Counsel	DOT
Blaine Workie	Deputy Assistant General Counsel for Aviation Enforcement and Proceedings	DOT

Background and Welcoming Remarks

This is the record of the second meeting of the FAAC, a federal advisory committee formed pursuant to and subject to the requirements of the Federal Advisory Committee Act (FACA).

Mr. Douglas Murphy, FAA, called the meeting to order at 9:06 a.m. and welcomed the committee members and public in attendance to the FAA Southern Region Headquarters. He introduced the committee chairperson, Ms. Susan Kurland, Committee Chair, DOT.

Ms. Kurland thanked the Southern Region Team on behalf of herself and the Secretary of Transportation, Mr. Raymond LaHood, for all the effort that went into the planning of the meeting. Ms. Kurland then introduced the FAAC members and summarized the results of the discussions from the previous FAAC meeting that took place on May 25, 2010. She highlighted five issues of interest,

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or “pillars”, identified as priority topics—(1) Aviation Safety, (2) Labor and World-class workforce, (3) Financing, (4) Competitiveness and Viability, and (5) Environment. She noted the FAAC discussed these five topics at the May 25, 2010, meeting, formed five subcommittees, and identified a chair to lead each subcommittee. Ms. Kurland stated the five chairs are Ms. Nicole Piasecki, Boeing, for Aviation Safety; Ms. Patricia Friend, AFA-CWA, AFL-CIO, for Labor and World-class Workforce; Mr. Jack Pelton, Cessna, for Financing; Mr. Bryan Bedford, Republic Airways, for Environment; and Mr. Glenn Tilton, United, for Competitiveness and Viability.

Ms. Kurland explained that the five subcommittees were given the task to identify three to five issues that they would like to explore. She stated that the five subcommittees have already held their first meetings and will report on their accomplishments.

In addition to the FAAC discussions, Ms. Kurland remarked that, as promised by Secretary LaHood, a discussion of the DOT’s recent notice of proposed rulemaking (NPRM) titled Enhancing Airline Passenger Protections (the “Consumer Rule” NPRM) had been included on the meeting agenda. She stated that the NPRM, published June 8, 2010 (75 FR 32318), proposes numerous provisions to increase protections for aviation consumers. Ms. Kurland noted the public comment period for the NPRM closes on August 9, 2010, and public comments offered during the meeting would be included in the rulemaking docket.

Ms. Kurland then turned the meeting over to Ms. Pam Hamilton, Director of Rulemaking, FAA, the DFO for the FAAC. Ms. Hamilton briefed the attendees on the purpose of FACA and noted some of its key requirements, including balanced representation and publicly accessible meetings. She also outlined her own responsibilities as DFO, including maintenance of information on cost and membership, ensuring efficient operations, and keeping publicly available records of FAAC activities.

Ms. Hamilton stated there will be FAAC meetings on August 25, 2010, in Chicago, Illinois, October 20, 2010, in Los Angeles, California and on December 15, 2010, in Washington, DC. She noted all meetings will be accessible to the public. Ms. Hamilton added any person interested in submitting a comment will have the opportunity to do so before each meeting. She also added the meeting minutes will be made available both in the regulatory docket and on the FAAC Web site at <http://www.dot.gov/faac>. Ms. Hamilton read the formal statement required under FACA and listed safety and security guidelines for the members of the public in attendance.

Ms. Hamilton sought to ratify the minutes from the May 25, 2010, FAAC meeting, and solicited any comments or corrections to the minutes. It was noted that no comments or corrections were brought forward. On motion, duly seconded, Ms. Hamilton ratified the minutes.

Consumer Rule

Following opening remarks and formalities required by FACA, Ms. Kurland continued the meeting with a discussion of the Consumer Rule NPRM. She noted because there is a pending rulemaking, FACA rules require that a record of discussion, including public comment, be placed in the public docket. Ms. Kurland stated that Mr. Gregory Woods, Deputy General Counsel, DOT, and Ms. Blaine Workie, Deputy Assistant General Counsel for Aviation Enforcement and Proceedings,

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DOT, were present at the meeting to respond to questions. She cautioned that the DOT could not respond to substantive questions or comments during a pending rulemaking, and could only provide factual responses to questions regarding the proposed rule or the rulemaking process.

Ms. Kurland provided a brief summary of the NPRM before opening the floor for public comment. She stated she would offer committee members an opportunity to comment. Ms. Kurland noted that in addition to offering verbal comments at the meeting, any interested party may submit written comments to the public docket at <http://www.regulations.gov> docket number DOT-OST-2010-0140. Ms. Kurland stated that the NPRM expands the DOT's recently implemented requirements on U.S. air carriers to foreign airlines operating to or from the United States. She stated that the proposed rule would also extend to foreign carriers the requirement that food and water, as well as adequate lavatory facilities, be made available in the event of such delays.

Ms. Kurland explained that the current rule, which includes a requirement that passengers on U.S. air carriers be disembarked no later than 3 hours into a tarmac delay, only applies to large and medium hub airports. She stated that the proposed rule would extend that coverage to smaller U.S. airports. Ms. Kurland highlighted several proposed changes affecting domestic air carriers and passengers:

- Increase the minimum compensation for passengers denied boarding on oversold flights by more than 60 percent, in order to account for inflation, and readjustment of these limits every 2 years based on the consumer price index. In addition, allow passengers to cancel reservations within 24 hours of purchase without penalty.
- Require air carriers to disclose and prominently display all optional fees, including baggage fees and the availability of refunds and expense reimbursement when baggage is not delivered on time.
- Require all mandatory fees, including government taxes and fees, to be included in the advertised price, and prohibit price increases after a ticket is purchased.
- Prohibit requirements to opt out of optional services that automatically would be added to the purchase if the consumer takes no action.
- Require airlines to post their contracts to carriage on their Web sites and mandate timely notice of flight status changes.

Ms. Kurland invited interested members of the public in attendance to comment on the proposed rule. It was noted that no comments were forthcoming. Ms. Kurland noted that the public should feel free to submit any comments to the rulemaking docket. She then opened the floor to any comments from the FAAC members.

Mr. William McGee, Consumers Union, read a prepared statement, which may be found in its entirety on the rulemaking docket at <http://www.regulations.gov> docket number DOT-OST-2010-0140. A brief summary of Mr. McGee's statement follows:

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Mr. McGee thanked and commended Secretary LaHood for taking action to strengthen air carrier passenger rights, citing the DOT's initiative on tarmac delays announced in December 2009, and the proposed rule in June 2010. He commented that the proposed rules will greatly enhance the passenger experience, and demonstrate DOT's commitment to consumers of the U.S. air carrier system.

Mr. McGee rejected the notion that air carrier passengers could "vote with their feet" and choose another air carrier if they receive bad service, because they often begin to experience a customer service difficulty after they have boarded an aircraft and left the gate, are in flight, or are in small communities where there is little or no choice of air carriers. He noted that numerous customer service issues occur daily, not just lengthy tarmac delays that receive media attention. He added these are compounded by confusing contracts of carriage and a lack of information provided to passengers.

Mr. McGee stated that for these reasons, Consumers Union has proposed that the DOT implement a Unified Passenger Bill of Rights. He cited a similar rule implemented by the European Union in 2005, and stated it has been successful. Mr. McGee noted that a Unified Passenger Bill of Rights should include:

- Transparency in airline pricing, including ancillary fees;
- Transparency in flight operations, such as code-sharing and commuter operations;
- Compensation for lengthy flight delays; and
- Compensation for flight cancellations.

Mr. McGee closed by calling for the DOT to strengthen its Aviation Consumer Protection and Enforcement division by establishing an Airline Passenger Rights Ombudsman, who would be an intrinsic component in shaping the DOT and FAA commercial aviation policies.

Following Mr. McGee's comments, Ms. Kurland invited comments on the Consumer Rule NPRM from any other FAAC members. It was noted that there were no further comments from FAAC members, so she re-opened the floor for public comment. It also was noted that there were no further comments from the public.

Committee Reports

Ms. Kurland opened the discussion on committee reports by noting that each subcommittee chair would report on their respective subcommittees' activities and progress. She also noted that following each subcommittee report, time would be allotted for any public comment on the subcommittees' activities before discussion by the FAAC.

Aviation Safety

Ms. Kurland introduced Ms. Piasecki, Chair of the Aviation Safety Subcommittee. Ms. Kurland pointed out that the Aviation Safety Subcommittee was tasked to examine aviation safety policies and

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practices and take a proactive approach in ensuring the U.S. aviation system continues to achieve the highest level of safety.

Ms. Piasecki began her report with some general observations. She expressed her belief that the Aviation Safety Subcommittee's charge is of paramount significance. Ms. Piasecki remarked that during the subcommittee discussions, it became evident that all of the work that has been done is interrelated in some fashion. She stated that the subject of safety is global and should be examined in a global context. Ms. Piasecki added the aviation safety record has improved dramatically over the last several decades, and the air carrier segment of the U.S. aviation system is one of the safest modes of transportation in the world. She noted that the subcommittee's recommendations would identify steps that can be taken to further improve aviation safety.

Ms. Piasecki stated each subcommittee member had been asked to submit three to five safety issues they deem a priority. She added the issues were reviewed and categorized by impact on aviation safety, feasibility of improvement, and impediments to implementation of solutions. Ms. Piasecki stated the Aviation Safety Subcommittee discussed the ranked issues at their meeting and identified five clusters of issues, from which recommendations will be developed. She noted that the safety issues identified include four strategic issue clusters with long-term timeframes for action and realization of benefits, and one tactical cluster of issues, with more immediate action and effect timelines. The five clusters are:

1. Expanding industry and the government's ability to share and protect safety data and information.

Ms. Piasecki noted the U.S. aviation industry is unique because all major stakeholders collaborate in the interest of promoting safety. She stated there is a need to understand the extent of the programs that collect safety data, which includes understanding their strengths, weaknesses, and gaps. Ms. Piasecki also noted that filling in the "white spaces" between areas of responsibility will be an important step toward improving safety.

Ms. Piasecki stressed the need to examine threats to open data sharing (for example, the use of data for criminal prosecution and civil litigation) and consider ways to protect the open data sharing against these threats. She suggested the subcommittee's recommendations would likely explore how to provide incentives for wider and more meaningful participation among stakeholders and encourage policies to protect the system that is created. Ms. Piasecki expressed the need to develop an understanding of how collected data can be better used to prevent accidents.

2. Assess what the U.S. aviation industry is doing to manage and mitigate aviation safety risks in a more systematic and prioritized way.

Ms. Piasecki stated the FAA and the safety policy community need to prioritize existing safety issues. She noted a safety inventory conducted in the mid-1990s identified an unmanageable number of issues, and the Commercial Aviation Safety Team process had helped to prioritize and develop recommendations with respect to the most significant issues. Ms. Piasecki suggested a similar effort is appropriate now. She stated that Mr. Robert Lekites, UPS, had

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pointed out that at times, the FAA seems to have a different set of safety priorities at the Federal and local level, resulting in low safety risks receiving undue attention and higher risks not being mitigated.

3. Ensure a robust and active safety culture throughout the U.S. aviation industry.

Ms. Piasecki quoted a submission to the subcommittee from Mr. John Conley, TWU, AFL-CIO, regarding the definition and prerequisites of an effective safety culture, including:

“management of safety risks in a professional and objective manner, a workforce with a questioning attitude and sense of accountability, and an organization cognizant of the power of voluntary reporting to prevent accidents before they occur.” Ms. Piasecki related that as safety management systems (SMS) are integrated into the aviation industry, it will be important to recognize the cultural issues that accompany this integration. She stated the subcommittee’s discussion on safety culture would revolve around identifying what the inhibitors are and what policies are needed to ensure a robust safety culture.

4. Ensuring that the Next Generation Air Transportation System (NextGen) improves the safety of the airspace system as it expands in capacity.

Ms. Piasecki stressed that the United States is about to embark on a complete transformation of the air traffic management system. She indicated that this transformation will introduce new risks to the airspace system. Ms. Piasecki added safety performance and enhancements must be built into the process from the beginning to mitigate new risks as they are discovered. She also emphasized NextGen implementation will provide opportunities to greatly improve safety through technology, improved procedures, and better use of information as the capacity and efficiency of the aviation airspace system expands.

5. Tactical issues.

Ms. Piasecki explained that while recommendations related to the strategic issue clusters would enhance safety in the long term, there are day-to-day issues that can be addressed immediately. She stated these issues include:

- Bird strikes and other wildlife hazards to aviation safety;
- The outdated Notices to Airman system, which often fails to effectively alert pilots to what information is important and what is less significant;
- Safety programs at general aviation airports hosting increasingly sophisticated operations; and
- A review of air carrier policies regarding the use of child safety seats.

Ms. Piasecki recognized that there may be other issues the Aviation Safety Subcommittee has not identified, and welcomed comments so that they may be brought to the subcommittee’s attention for consideration.

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Ms. Piasecki concluded her report by noting that the Aviation Safety Subcommittee intends for its recommendations to the FAAC to be value-added, meaning that it will develop original recommendations and does not intend to make recommendations based on existing initiatives.

Labor and World-class Workforce

Ms. Kurland introduced Ms. Friend, Chair of the Labor and World-class Workforce Subcommittee. She noted that this subcommittee was tasked with examining how to retain current employees, and how to attract the best and brightest workforce of the future.

Ms. Friend reiterated that the Labor and World-class Workforce Subcommittee had focused on recruiting a world-class workforce and retaining that workforce. She added that the subcommittee had identified three specific area of focus:

1. Recruiting the workforce of the future.

Ms. Friend stated the subcommittee members had reached consensus on the need for skill development for future aviation system employees. She added the subcommittee intends to develop recommendations on improving access to education in the areas of science, technology, engineering, and math.

Ms. Friend stated the subcommittee's discussion also addressed factors influencing employees to remain in the aviation industry. She noted the subcommittee discussed typical employee concerns, including job security, affordable healthcare, compensation that is sufficient to support a family, and secured retirement. Ms. Friend mentioned the subcommittee is hopeful that the Subcommittee on Competitiveness and Viability will be able to develop effective recommendations on industry stabilization, because many of these concerns would be positively impacted by an economically stable aviation industry.

Ms. Friend also noted a more immediate issue related to workforce recruitment: the high number of applicants for employment at airports who fail the required background checks. She noted this issue is slated for fact-gathering and further discussion.

2. Creating a culture of dignity and respect in the workplace.

Ms. Friend stated topics under discussion include development of a productive labor-management model and a broad-based education effort to foster understanding. She noted the importance of recognition of the value of aviation to the nation and recognition of employees as valuable assets within the aviation industry and in the public eye.

3. Impact of NextGen on the workforce.

Ms. Friend stated that, like other subcommittees, the Labor and World-class Workforce Subcommittee is interested in NextGen. She stated that the subcommittee's focus would be on how the NextGen implementation will impact various segments of the workforce, including: flightcrew members, air traffic controllers, airways system specialists, and dispatchers.

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Ms. Friend noted the subcommittee's concerns include ensuring that all segments of the workforce affected by the changes brought about by NextGen will continue to have a role in the aviation industry.

Financing

Ms. Kurland introduced Mr. Pelton, Chair of the Subcommittee on Financing. She explained this subcommittee was tasked with exploring ways to augment current funding systems in order to ensure the development, implementation, and maintenance of long-term aviation investments.

Mr. Pelton stated the forecast increase in air traffic over the next several decades would necessitate the implementation of NextGen, and the Financing Subcommittee had been asked to address the funding required: (1) to equip aircraft to operate in the NextGen environment and (2) to put the NextGen ground infrastructure in place. He stated the subcommittee had identified a third area requiring attention: the ability of airport infrastructures to accommodate the increased air traffic volumes facilitated by NextGen.

Mr. Pelton stated the subcommittee initially struggled to develop areas of discussion because of a lack of clear understanding as to the timing, costs, and benefits associated with NextGen implementation. He stated the Subcommittee on Financing needs to develop a better understanding of these factors before it can formulate specific recommendations. Mr. Pelton noted the subcommittee will delve into these issues at its next meeting.

Mr. Pelton stated there was a general consensus among the subcommittee members that NextGen holds the potential for significant benefits to operators, which could make aircraft equipage a cost-beneficial prospect in the near future. He noted that incentives may be necessary to ensure optimal timing of equipage. Mr. Pelton stated there are questions that remain about how private funding of aircraft equipage can be meshed with public funding of ground infrastructure, and about the timing of both ground and aircraft equipage. He added public-private partnerships may be worth considering as a potential funding scheme for NextGen implementation.

Mr. Pelton noted that the subcommittee also discussed a need to fund airport capacity increases to take advantage of many of the benefits offered by NextGen. He stated that because the sources of airport funding differ significantly from those used to fund airspace system development; the subcommittee intends to develop additional recommendations with respect to airport improvement funding.

Mr. Pelton stated three questions the subcommittee will focus on:

1. What role will NextGen play in improving congested airspace, and what are the net benefits to aviation system users?
2. What is the long-term plan for NextGen investments?
3. What are the costs and benefits associated with these investments?

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Mr. Pelton also noted a secondary issue is under discussion by the subcommittee: the status of overall long-term funding for the FAA.

Mr. Pelton indicated there were a number of public comments submitted to the subcommittee through the public docket. He stated the comments have not yet been disposed of, but will be addressed in upcoming subcommittee meetings.

Mr. Pelton stated that, going forward, the subcommittee's primary objective is to prioritize the NextGen implementation plan to ensure those investments that are made will economically benefit all segments of the aviation industry. He noted that the Subcommittee on Financing's recommendations would have to be coordinated with the recommendations of the other subcommittees, and based upon the expectations expressed by other subcommittees, with respect to NextGen benefits.

Competitiveness and Viability

Ms. Kurland introduced Mr. Tilton, Chair of the Subcommittee on Competitiveness and Viability. She noted this subcommittee was tasked to— (1) examine changes in the operating and competitive structures of the U.S. airline industry; (2) consider innovative strategies to open up new international markets and expand commercial opportunities in existing markets; and (3) investigate strategies to encourage the development of cost-effective, cutting edge technologies and equipment that are critical for a competitive aviation industry coping with increasing economic and environmental challenges.

Mr. Tilton stated the Subcommittee on Competitiveness and Viability had reached consensus on four topics of study pertinent to the Competition and Viability portion of the FAAC's charter. He added that the subcommittee would discuss an additional two topics at its next meeting, which will be held on August 4, 2010. Mr. Tilton stated a subcommittee member had been assigned to research each of the six topics, and to lead discussion at the August 4, 2010, meeting. He outlined the six topics under consideration:

1. Enhancing the competitive positions of U.S. air carriers in the global marketplace.

Mr. Tilton stated this topic was framed in terms of what policy actions the DOT can take to promote a viable U.S. airline industry and strengthen the competitiveness of U.S. air carriers in foreign markets. He noted the poor economic performance of U.S. air carriers as a whole contradicts their importance to the national economy. Mr. Tilton stated that European air carriers have become the world's largest through consolidation, while U.S. air carriers have struggled under economic regulatory policies that are out of tune with a changing global market place. He stated that both he and Ms. Ana McAhron-Scultz, ALPA, will lead discussions on how changes to DOT policy can improve the aviation industry's outlook. Mr. Tilton noted this topic may impact areas under consideration by other subcommittees, including the Labor and World-class Workforce Subcommittee.

2. How the aviation tax system impacts industry viability and global competitiveness.

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Mr. Tilton stated the subcommittee had based its discussion on a working question of what policy action the DOT should take to ensure that the viability and global competitiveness of the U.S. airline industry is not undermined by the increasing burdens of a complex system of aviation taxes and fees. He stated taxation on the air carrier industry has increased in both degree and complexity, and noted that taxes and fees now total approximately 20 percent of a typical domestic fare. Mr. Tilton stated that Mr. Bedford and Ms. Friend will lead further study and discussion of this topic for the subcommittee. Mr. Tilton noted this subject affects areas under discussion by other subcommittees, including the Subcommittee on Financing.

3. The role of NextGen in enhancing aviation industry viability and global competitiveness.

Mr. Tilton stated the subcommittee had framed this topic in terms of what actions the DOT can take to ensure that NextGen is implemented in a manner that will enhance viability and global competitiveness of the U.S. airline industry. He noted forecast efficiency benefits of NextGen are expected to mitigate environmental impacts, reduce operating costs, increase capacity, and create thousands of jobs in the airline industry. Mr. Tilton stated the Subcommittee on Competitiveness and Viability plans to focus on two key issues of NextGen:

- a. Whether the DOT and/or the FAA should provide financial and operational incentives to operators who install the necessary equipment to take advantage of the NextGen Infrastructure that the FAA is currently deploying; and
- b. Ways the FAA can accelerate its near-term investment in NextGen, focusing on technology and advancing air traffic control procedures that are proven and ready to deploy.

Mr. Tilton stated that Ms. Susan Baer, PANY/NJ, and Mr. Pelton will lead discussion on this topic.

4. How can the DOT Essential Air Service (EAS) Program be improved to ensure affordable, regular air service to small and rural communities and promote and encourage a viable and competitive U.S. aviation industry?

Mr. Tilton offered a brief summary of the history and purpose of the EAS program. He stated the subcommittee's discussion had raised questions of whether or not the program should continue, given the financial state of the aviation industry. Mr. Tilton noted that over one-third of these communities temporarily lost service in 2008 when three air carriers ceased operations. He stated that Dr. Severin Borenstein, Haas School of Business, and Mr. McGee will lead the subcommittee in upcoming discussions on potential recommendations for improvements to the program.

5. The impact of jet fuel price volatility on the U.S. aviation industry's viability and global competitiveness.

Mr. Tilton noted this topic is subject to significant differences of opinion among subcommittee members. He stated the question is what policy actions the DOT can or should take to

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effectively reduce or mitigate the adverse effect of jet fuel price volatility on the aviation industry. Mr. Tilton stated the DOT has urged the Commodities Future Trading Commission (CFTC) to identify and take action to address transportation jet fuel price volatility, which undermines the efficiency of the nation's transportation system. He noted jet fuel now constitutes the single highest operating cost for the airline industry, and stated a 1-cent increase in the price of jet fuel results in a \$188 billion increase in annual costs. Mr. Tilton stated that Dr. Borenstein and Mr. Daniel McKenzie, Hudson Securities, Inc., will lead discussion to determine whether sufficient consensus can be reached to develop subcommittee recommendations on this topic.

6. The impact of DOT consumer initiatives on U.S. aviation industry viability and global competitiveness.

Mr. Tilton stated consideration of this topic will focus on whether current DOT policies and regulations adequately balance the mandate to ensure a viable and competitive U.S. airline industry with consumer related mandates to ensure the availability of efficient, low price air service without unreasonable discrimination or deceptive practices. He stated providing good customer service was very important to all airlines, but stressed that any government initiative should include examination of impacts on competitiveness. He noted that Mr. McGee and Mr. Christopher Williams, The Williams Capital Group, would lead the subcommittee on this topic.

Environment

Ms. Kurland introduced Mr. Bedford, Chair of the Environment Subcommittee. She stated this subcommittee was tasked with examining short-, medium-, and long-term actions and strategies that can be taken by aviation sector stakeholders and the Federal government to reduce the aviation industry's environmental footprint and foster efficiency gains and availability of cost-beneficial sustainable energy. She noted the Environment Subcommittee also was asked to consider potential approaches to promote effective international action on these issues in conjunction with the International Civil Aviation Organization (ICAO).

Mr. Bedford stated aviation faces increasing environmental and energy challenges, and the Environment Subcommittee seeks to identify possible solutions to allow the aviation industry to continue to reduce its impact on the environment while continuing to grow and remain economically viable. He reported the subcommittee had limited its focus to solutions that can be acted on within a year and realize measurable benefits within 3 years. Mr. Bedford noted the subcommittee strives to consider approaches that will promote international cooperation. He recognized there would be some overlap between the discussions undertaken by the Environment Subcommittee and those of other subcommittees. Mr. Bedford specifically noted NextGen is a topic of interest for virtually all of the subcommittees.

Mr. Bedford outlined a list of stakeholders the subcommittee had identified—

- Customers who use aviation for personal and business needs;

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- Citizens who are affected by aviation noise, water, and waste pollution and carbon emissions;
- Communities which rely on aviation to promote economic growth;
- Employees of both airlines and aviation suppliers that are affected by boom and bust economic cycles; and
- Shareholders whose investment is critical to the aviation industry's future growth.

Mr. Bedford stated the subcommittee had decided to focus its initial efforts on carbon emissions reduction. He expressed hope that the subcommittee would be able to devote some attention to noise, water, and waste pollution, but stated in the context of climate change and the national energy policy, reducing fossil fuel consumption holds the greatest promise of benefits. Mr. Bedford referred to Mr. Tilton's statement that fuel represents the single largest operating cost for air carriers. Mr. Bedford stated there is a clear economic incentive to reducing fuel use, apart from the desire to reduce the aviation industry's environmental impact. He stressed the aviation industry has already made significant fuel efficiency improvements over the past 3 decades by reducing fuel consumption per revenue (ton-mile) by more than 50 percent since 1978.

Mr. Bedford stated that the Environment Subcommittee had prioritized four areas warranting further study:

1. Operational Improvements

Mr. Bedford stated that the subcommittee would receive input from subject matter experts (SME) at the next meeting, and would explore possible recommendations in three areas:

- a. Accelerating the implementation of near-term, commercially viable subcomponents of NextGen, including airspace redesign. Mr. Bedford also noted the subcommittee would explore ways to apply the success of a metering program used during the recent construction at John F. Kennedy International Airport to other airports.
- b. Exploring industry-wide improved schedule coordination for high density airspaces to reduce timing errors, surface congestion, and alleviate taxi delays.
- c. Streamlining the FAA design and approval process for area navigation and required navigational performance procedures, making existing procedures usable by all air carriers with proper equipage.

2. Technology Improvements

Mr. Bedford stated the committee wanted to ensure the existence of robust research and development funding for the public and private sector.

Mr. Bedford stated the subcommittee would also explore the possible expansion of the Voluntary Airport Low Emission program, which provides assistance to airports purchasing

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low-emissions ground support equipment. He stated the subcommittee may recommend extending the program to all aviation industry users.

3. Sustainable alternative fuel options

Mr. Bedford stated that SMEs will also address the committee on the subject of alternative fuels. He noted the subcommittee is interested in developing strategy recommendations to make such alternatives commercially viable in terms of cost and availability.

4. Harmonization of domestic and global efforts in the environment

Mr. Bedford stated the subcommittee's policy target is consistency in the treatment of aviation carbon impacts within a broader national and international framework. He noted the subcommittee will be reviewing the product of various public forums addressing global aviation carbon emissions, including the ICAO Colloquium on Aviation and Climate Change that was held in Montréal, Quebec, Canada, in May 2010, to identify possible economically viable recommendations.

Discussion

Ms. Kurland offered attending members of the public an opportunity to comment on the work of the subcommittees and noted they could also submit written comments. Methods for submitting written comments are found at <http://www.dot.gov/faac/contact.html>.

The first public comment was from Mr. Ed Stevens, Raytheon. Mr. Stevens expressed his concern that NextGen is becoming a vague term and feels that when trying to identify priorities, the terms NextGen 2015 or NextGen 2020 would better define this. He referred to the RTCA, Task Force 5 that looked at NextGen near-term implementation for the air carriers, and suggested that this could be used as a baseline.

Mr. Bedford assured Mr. Stevens that on the subject of NextGen, the committee is not trying to duplicate previous efforts and instead wants to leverage work that has already been accomplished. He stated the committee intended to look at pieces of NextGen and to identify areas of potential improvement. Mr. Bedford noted there will be topics on which the committee will likely not be able to reach consensus. He added this should not prevent further discussion of those issues, as the committee may still accomplish good work on such issues.

The next public comment was from Mr. Mark Wiler, FAA. He expressed his belief that persons holding certificates issued under Title 14, Code of Federal Regulations (14 CFR) part 65, such as mechanics and technicians, were most at risk due to financial problems in the U.S. aviation industry. He added this should be considered as a human-factors issue for the committee during its deliberations.

It was noted that there were no other public comments. Ms. Kurland offered FAAC members the opportunity to comment on issues pertinent to the work of the subcommittees and the committee.

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Mr. Raul Regalado, Metropolitan Nashville Airport Authority, commented that throughout the reports from the subcommittee chairs, safety was noted as the most important aspect of these discussions. He expressed his belief that security is also very important, and it correlates with safety. Mr. Regalado stated the aviation industry is heavily regulated, not only by DOT and the FAA, but also by numerous other agencies, including the Transportation Security Administration, Department of Homeland Security, Environmental Protection Agency, and Federal Communications Commission. He stated these agencies can, and do, add new regulations to those already in place without providing additional funding. Mr. Regalado noted this is a problem not only for the airports community, but also to other sectors of the aviation industry. He pointed out that larger airports may be able to absorb the costs of these unfunded mandates, but smaller airports would likely be forced to pass these costs onto the consumer, and impose higher fees on the air carriers that serve these airports, which may eventually lead to the abandonment of service at these airports.

Mr. Regalado stressed a review of existing regulations is needed and that expired or unnecessary regulations should be eliminated, in turn eliminating the costs associated with them. He noted the topic of unfunded mandates would likely be a common issue among all of the subcommittees.

Mr. Regalado commented on the work of the Labor and World-class Workforce Subcommittee and noted labor recruitment is not only a concern to the air carriers, but also to airports. He stated because of diminished incentives and cutback of benefits, airports are losing their employees to non-aviation jobs with higher pay and more secure employment. Mr. Regalado expressed concern over how airports will retain current employees and attract others with the skills needed to support the industry.

Mr. David Barger, JetBlue, brought up the issue of voluntary safety data sharing programs. He stressed the need to protect the voluntary programs already in place, such as Flight Operations Quality Assurance, Aviation Safety Action Program, Advance Qualification Process, and Line Operational Safety Audits, noting these are very important programs to raise the level of safety in the aviation industry. Mr. Barger stated access to these data-sharing programs in a non-punitive reporting relationship is essential to maintaining a high level of safety for the aviation industry. He added there is concern among air carriers that the FAA and the DOT were reviewing these voluntary programs, and may reduce air carrier access to them. He stressed that the opportunity to share this data among air carriers is critical to improving aviation safety.

Ms. Baer commented there are a number of recommendations that may be developed by the committee. She cautioned that it will be important to balance the recommendations to ensure they provide benefits to certain sectors of the aviation industry, without creating unintended consequences in other sectors. Ms. Baer noted there are numerous cross-cutting issues and that common issues throughout all the subcommittees should be set apart in the committee's final report to highlight the importance of these issues.

Ms. Cynthia Egnotovich, Goodrich, commented on the workforce and labor issues of the aviation industry. She stated she believes the successes that have been enjoyed were brought about by the people in the aviation industry. Ms. Egnotovich expressed concern with the availability of future workers with the technical and engineering skills needed for all sectors of the aviation industry. She cited the Science, Technology, Engineering, and Math Education Initiative and expressed her belief

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that the aviation industry needs to revitalize this program in order to find future employees with the skills needed to bring the industry forward.

Mr. Borenstein noted previous comments on the issue of oil price volatility may be inaccurate or stem from misinterpretation of actions taken by the DOT. He quoted the DOT's filing to the CFTC, which said "although the Department [of Transportation] does not have the expertise to identify the causes of this recent activity, information submitted to the CFTC on which this preceding is based suggests that excessive speculation in energy and oil futures may be responsible in parts." Mr. Borenstein noted although the DOT was not taking a position on this issue, they were concerned with their expertise to verify the effects of futures speculation, and requested that the CFTC fully vet this issue. He expressed his belief that this issue would likely not be worth the committee's time because the DOT has no influence or decision-making powers over futures trading, other than the ability to comment that the transportation industry has suffered disproportionately from high oil prices and high price volatility in petroleum based fuels. Mr. Tilton added he was looking forward to further discussion on this topic in the Subcommittee on Competitiveness and Viability, and noted he and Mr. McKenzie would be presenting differing views for consideration by the subcommittee.

Mr. Borenstein expressed his belief that a challenge for the committee would be that some of its recommendations may not be popular for political reasons. He added those recommendations may not be presented in the committee's final report because of concerns they would not be favorably received. Mr. Borenstein also expressed his belief that all recommendations made by the committee should be included in the final report and not excluded if they are seen as potentially unfavorable by the aviation industry or regulatory agencies. He noted the value of the FAAC is the ability to bring difficult issues and decisions to the attention of the public and government.

Mr. Borenstein pointed out the word "competitiveness" can be used in differing fashions, either focusing on the competition among the U.S. air carriers or the competition between U.S. and foreign air carriers. He stated he believes boosting the competitiveness of U.S. air carriers though competition with foreign air carriers can create tensions with the goal of maximizing competition within the domestic air carrier market. Mr. Borenstein noted ensuring active competition within the domestic air carrier market should be a concern.

Mr. Borenstein expressed his concern that some committee members were still uncomfortable treating air carriers as a public utility, rather than a deregulated market that still recognizes the need for public policy. He stated he believes if air carriers are treated as a public utility, the role of the government managing the aviation industry for the sake of its stakeholders is evident, but otherwise not. Mr. Borenstein noted as the committee considers potential regulations it should strive to make good public policy that allows the aviation industry to operate as a capitalist industry subject to necessary, but minimally invasive government regulations.

Ms. Friend posed a basic question to the committee: "Why is this industry not profitable?" She asked if it was due to high fuel prices, high labor costs, prohibition of 100 percent foreign ownership of air carriers, or prohibition of point-to-point flying in the United States by foreign air carriers. Ms. Friend also asked if the aviation industry would be profitable if all of the restrictions were removed.

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Mr. McKenzie responded that Ms. Friend's question was tough to answer, and expressed his belief that lack of pricing power for the air carriers is to blame. He added this is exacerbated by overcapacity, meaning there are too many seats available and not enough demand to fill all of them. He stated overcapacity at air carriers was due to cheap access to capital. Mr. McKenzie also stated people will lend money against an aircraft, which is a global asset because they know if the air carrier files for bankruptcy protection that asset would be very attractive on the foreign market. Mr. Borenstein expressed disagreement by stating that cheap capital is not an issue because the actual cost of an aircraft equates to about 15 percent or less of the overall cost of the operation of an air carrier. He noted that investors do care a great deal about what happens to an air carrier because the prices of aircraft tend to fluctuate greatly over time, and if the lender was forced to repossess the aircraft they would likely suffer a tremendous capital loss.

Mr. McKenzie noted another factor that comes into play is the subject of cost disparity between low-cost and legacy air carriers. He noted as long as low-cost air carriers have a 25- to 30-percent cost advantage, they will continue to have a significant competitive advantage over legacy airlines. Mr. Borenstein added many economists find it puzzling that within an industry, the cost of doing the same task is so different between two companies. He noted the growth of low-cost air carriers is part of the competitive process and benefits consumers.

Mr. Tilton expressed his belief that the aviation industry is often characterized as successful because it continues to fulfill its mission in terms of access to travel. He added from a financial standpoint, it is not a successful business. Mr. Tilton stated he sees the aviation industry as unbalanced, with consumers benefiting a great deal, while employees have suffered job losses and reduced wages. He reminded the committee that the mandate given in the FAAC charter was clear, and cautioned that they should not seek to revise what the committee has been instructed to accomplish.

Mr. Lekites commented on the subject of safety culture and SMS. He noted that a safety culture fosters trust, which helps the aviation industry adapt to changes, and can bring concern to those tasked with improving aviation safety. Mr. Lekites pointed out in the past, service was the number one priority and safety was second, but this is no longer the case because safety has taken priority. He stated the collection and sharing of aviation industry safety data has brought many changes to enhance aviation safety. He cited improvements in the number of stabilized approaches flown by aircraft arriving at airports as an example. Mr. Lekites remarked that sharing safety data allows the aviation industry to identify areas in need of improvement.

Mr. Lekites noted that UPS made early investments in equipment to prepare for implementation of NextGen, and added that progress has been made. He remarked that it is very expensive for the industry to equip aircraft to take advantage of the new technology. Mr. Lekites added continued progress demands an operating plan for the U.S. aviation industry, rather than one specific to an air carrier or a region. He expressed concern that without funding or collaboration between the FAA and the aviation industry it will be difficult to reach that milestone.

Ms. McAhrn-Schultz noted the Aviation Safety Subcommittee did not address the issue of security. She expressed her belief that safety and security are directly related, and that discussions on trust-based security systems should be part of the upcoming work of the subcommittee. Ms. McAhrn-Schultz

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also remarked that on the subject of financial viability of the aviation industry, the definition of “public interest” is not only related to the consumers, but to all people, including stakeholders and employees. She expressed her belief that it is important that all decisions made by the committee have each person’s interest in mind.

Mr. Juan Alonso, Stanford University, expressed his concerns regarding the level of specificity of the recommendations this committee will bring to the Secretary, and sought to ensure the committee’s recommendations include issues for action rather than recommendations on how those issues should be solved. He also stated regarding the environment, the committee needs to look at the issue as a whole and consider all the sides this issue could have, rather than focusing on one aspect, which may create additional problems.

Ms. Baer stressed that the aviation industry needs to inform the public of the tremendous economic impact it has and how important aviation is. She expressed her belief that part of the committee’s mandate needs to be focused on the importance of the aviation industry to the overall economy. Ms. Piasecki agreed, and noted that if the aviation industry wants to attract the brightest employees and secure funding its importance needs to be stressed to the public.

Mr. Borenstein expressed his belief that public policy should protect competition as a whole and the viability of the aviation industry, but it should not protect specific competitors. He cited financial bailouts of the banking and auto industry, and stated that specific companies should not be protected. Mr. Borenstein noted in the aviation industry, the most efficient air carriers will grow and survive, and the least efficient, higher-cost air carriers should either become more efficient or not survive. He reaffirmed his point that the committee’s recommendations should protect the industry as a whole, and not specific companies.

Mr. McGee noted his concerns about ensuring that all the recommendations that come forth are actionable as requested by the Secretary. He expressed his desire to find a way that the issues that did not make their way to the top of the list could still be heard.

Ms. Kurland reminded everyone the focus of this committee should be to make actionable recommendations, realizing that some recommendations could be implemented immediately while others could be implemented in the future.

Following discussion by the committee members, Ms. Kurland entertained further comments from the public in attendance. Mr. Mark Ward, FAA, noted with the introduction of new procedures and technology in the aviation industry, more infrastructure will be needed on the ground, particularly new runways at airports.

Mr. Wiler noted Southwest Airlines has been successful at achieving financial stability, low costs, and a good safety record. He stated this was due to their standardized fleet of aircraft. Mr. Wiler suggested this model should be considered for future planning in the aviation industry.

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Closing Remarks

Ms. Kurland thanked the committee members for their hard work and participation. She reminded everyone that the next meeting will be on August 25, 2010, in Chicago, Illinois, and it will be posted on the Federal Register. Ms. Kurland noted the August 25, 2010, meeting will be used as a forum for presentations by SMEs. She stated by August 1, 2010, each subcommittee should identify up to three SMEs to present positions and viewpoints on various issues raised. Ms. Kurland noted these SMEs should provide background on issues that are being explored, present opposing views, or address concerns regarding constraints within the topics.

Ms. Kurland mentioned the topic of NextGen and noticed most of the subcommittees were having SMEs come to their meetings to give some type of presentation. She said the next full FAAC meeting will include a presentation of NextGen. Ms. Kurland stated she would like a list of questions and topics that the committee members would like to hear at this NextGen presentation.

Ms. Kurland turned the meeting over to Ms. Hamilton who reminded the attendees the information pertaining to the August, 25, 2010, FAAC meeting would be available on the committee's Web site, and that all public comments are being accepted through email at FAAC@dot.gov and the committee's docket at <http://www.regulations.gov>. She added minutes from this meeting will be placed in the docket and on the Web site at <http://www.dot.gov/faac>.

Adjournment

Ms. Hamilton solicited a motion for adjournment. On motion, duly seconded and approved by the majority of the FAAC members present, the meeting was adjourned.

The meeting adjourned at 12:01 p.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

Approved by: 
Pamela Hamilton-Powell, Designated Federal Official

Dated: August 27, 2010