

U.S. Department of
Transportation
Future of Aviation Advisory
Committee (FAAC)
Recommendations

December 15, 2010

RECOMMENDATION #1

(Environment)

Sustainable Alternative Aviation Fuels

- Exercise strong national leadership to promote and showcase U.S. aviation as a first user of sustainable alternative fuels. This would involve increased coordination and enhancement of the concerted efforts of government and industry to pool resources, overcome key challenges, and take concrete actions to promote deployment of alternative aviation fuels through certification, funding, commercial production and deployment, “book and claim” crediting, and international and domestic acceptance. The DOT should take a lead role within the Biofuels Interagency Working Group and provide increased support to FAA’s alternative fuels work. These actions would affirm a U.S. global leadership position in sustainable alternative fuels for aviation.

RECOMMENDATION #2

(Environment)

Research and Development Related to Airframe and Engine Technologies

- Accelerate aircraft technology development with more robust research and development by government and industry. Seek the permanent extension of industry research and development tax credits. Seek significant increases in funding to programs such as the FAA's Continuous Lower Energy, Emissions and Noise (CLEEN) technology program, and continue to advocate close coordination with National Aeronautics and Space Agency (NASA) aeronautical research programs to develop aircraft technologies.

RECOMMENDATION #3

(Environment)

Operational and Infrastructure Improvements

- Advocate for substantial additional targeted investment to accelerate equipage elements of NextGen that will have significant near term benefits and increase likelihood of successful deployment. Aim for deployment of accelerated equipage within the next 4 years. In addition, establish a ground taxi delay management pilot program and recommend appropriate deployment of taxi delay management methodology for U.S. airport operations within 3 years. Lastly, establish an airport energy efficiency and emissions reduction program to reduce emissions from airport power sources and increase energy efficiency at airports.

RECOMMENDATION #4

(Environment)

Harmonized Sectoral Approach for Aviation CO₂ Emissions Reductions

- Lead an effort to align federal aviation policy to support an aviation sector approach to carbon emissions. Building on the ICAO resolution adopted on 8 October 2010, advocate for a coordinated global and domestic framework for aviation carbon dioxide (CO₂) emissions. It is important to set a strategic course for further international agreement through ICAO and follow with bilateral negotiations to secure the support of other countries. The Secretary should advantage of industry assets to develop practical global implementation methods (e.g. IATA members have already agreed to create an emissions inventory system – the basis for any measurement of emissions reduction progress). Such steps would enhance the confidence of the aviation industry to make needed investments in the technological, alternative fuel, infrastructure and operational improvements necessary to meet greenhouse gas emissions targets and provide a harmonized approach among key aviation nations (markets) around the world.

RECOMMENDATION #5

(Finance)

Extend the Alternative Minimum Tax Exemption for Airport Private Activity Bonds for Four Year

- The FAAC recommends that the Secretary should support federal legislation to provide a four year extension to the Alternative Minimum Tax (AMT) exemption for airport Private Activity Bonds (PABs). An extension of the AMT exemption for PABs must be accomplished by federal legislation. During the 111th Congress, efforts have been made to both extend the current AMT exemption in comprehensive tax reform and job creation legislation and to provide a permanent AMT exemption through stand-alone bills, primarily S. 138 (Sen. Kerry) and H.R. 425 (Rep. Neal). U.S. commercial airports are mainly owned and operated by government entities and airport improvements are often multi-year projects, providing numerous construction jobs helping to stimulate the community. This exemption lowers airport financing costs allowing for more development or reduced debt.

RECOMMENDATION #6

(Finance)

Funding Accelerated Equipage of Aircraft

- The FAAC proposes to the Secretary that the federal government undertake a significant financial investment to achieve extensive public benefits throughout the accelerated NextGen equipage of commercial and general aviation aircraft. This federal commitment must be matched in some fashion by financial or operational commitments, for example reduced CO₂ emissions, on the part of commercial and general aviation aircraft operators. This Public/private partnership in equipping aircraft should focus on equipping aircraft and training staff to use the key NextGen technology and operational capabilities including performance-based navigation (PBN), automatic dependent surveillance – Broadcast (ADS-B), ground-based augmentation system (GBAS) and Data Communications. The FAAC believes a menu of financial options – grants, loans, leases, and loan guarantees – should be designed, in consultation with industry, and this financing can be managed through an Infrastructure bank or other financing vehicle. The form and structure of the financial options offered should depend on the appropriateness of the incentive for the technology and capability being funded, the aviation operators involved, the costs and benefits associated with the particular technology or operational capability and the share responsibility between the public and private partners. An important part of this program will be the detailing of commitments that both the FAA and operators should make to deliver promised benefits or mitigate against financial or other risk.

RECOMMENDATION #7

(Finance)

Delivering the Benefits of NextGen

- The Secretary should fully endorse and focus on ensuring that FAA delivers the operational capabilities, procedures, and approvals necessary for operators to realize the benefits from the NextGen air traffic control system as quickly as possible. Making progress on improving the environmental review process, developing a well-crafted and balanced Best Equipped, Best Served (BEBS) program, and fully leveraging the operations of those who have already invested in performance based on navigation or ADS-B are challenging but must be a high priority for DOT and FAA if public benefits are to be realized as well as the promised benefits to operators that equip. Furthermore, the Secretary should require the FAA to develop and commit to a timetable of when requirements will be set, when operational capabilities and procedures will be available, what training will be necessary and what will be the required authorizations.

RECOMMENDATION #8

(Finance)

Eligibility Criteria for Airport AIP and PFC Programs

- The FAA should review and redefine what is meant by “aviation infrastructure” and based upon that study it should update and modernize the eligibility criteria for AIP and PFC projects. As part of this review, DOT and FAA should consider whether investing AIP and PFC dollars in NextGen equipment, operational capabilities, and performance based procedures are needed to produce a demonstrated, near-term improvement in operational performance at airports. If changes are warranted, FAA should do as much as possible of this update administratively and develop legislative recommendations to the Secretary for the remainder of the suggested changes. An update of the guiding authorities in this area should be focused on allowing more flexibility by airports in using AIP and PFC funds. Airport Committee members believe these changes must be accompanied by increases in AIP and the PFC level. Airline members believe that providing more flexibility can be achieved without these increases. FAA should determine or make recommendations on whether AIP and PFC levels need to be adjusted based on eligibility criteria changes.

RECOMMENDATION #9

(Competitiveness and Viability)

Global Competitiveness: The Secretary should

- Foster conditions that enable global airline alliances that enhance the viability and global competitiveness of U.S. airlines, airports, and manufacturers and protect and create U.S. aviation industry jobs, by reaffirming the general objectives of DOT's 1995 Statement of U.S. International Air Transportation Policy.¹
- Ensure that, as DOT performs its public interest analysis, it gives substantial weight to existing statutory criteria that would help ensure an economically healthy and globally competitive U.S. airline industry and prosperous workforce, including:

RECOMMENDATION #9 – cont'd

(Competitiveness and Viability)

Global Competitiveness

- “strengthen[ing] the competitive position of air carriers to at least ensure equality with foreign air carriers, including the attainment of the opportunity for air carriers to maintain and increase their profitability in foreign air transportation;
- placing maximum reliance on competitive market forces and on actual and potential competition to provide the needed air transportation system and encourage efficient and well-managed air carriers to earn adequate profits and attract capital;
- promoting, encouraging and develop[ing] civil aeronautics and a viable, privately-owned United States air transportation industry; and
- encouraging fair wages and working conditions.

RECOMMENDATION #9 – cont'd

(Competitiveness and Viability)

Global Competitiveness

- Build upon and expand DOT's Open Skies initiative, focusing on (1) the largest and fastest-growing international markets that remain constrained by restrictive bilateral aviation agreements; (2) ensuring "de facto" market access and a level playing field for U.S. passenger and cargo airlines facing "doing business" impediments abroad; and (3) promoting employment opportunities for U.S. airline workers.
- Leverage the Secretary's appointment to the President's Export Promotion Cabinet, and support an expansion of DOT's role in promoting U.S. aviation exports for U.S. airlines, manufacturers, and airports, and facilitating international tourism.

RECOMMENDATION #10

(Competitiveness and Viability)

US Aviation Industry Viability

- The Subcommittee recommends that the Secretary commission an independent study of the federal aviation tax burden on passengers, airlines and general aviation to determine if existing levels of taxes and fees sufficiently balances the Department's statutory mandates to “encourage efficient and well-managed air carriers to earn adequate profits and attract capital...,”¹ “promot[e], encourag[e], and develop civil aeronautics and a viable, privately-owned United States air transport industry,”² and ensur[e] that consumers in all regions of the United States, including those in small communities and rural remote areas, have access to affordable, regularly scheduled air service.”³

RECOMMENDATION #10 – cont'd

(Competitiveness and Viability)

US Aviation Industry Viability

- This study, which should include input from aviation stakeholders and independent economists, should address the following questions:
 - How do the federal taxes imposed on the U.S. aviation industry compare to those of other modes of transportation?
 - Is the existing level of aviation taxes and fees levied efficiently and effectively for the services provided by the federal government?
 - Are there more efficient ways to collect and administer existing aviation taxes and fees that would save taxpayer and aviation industry dollars?
 - Would regular consultation between those departments and agencies that administer aviation taxes and fees prior to implementing any changes to tax rates and policies result in (1) a more efficient and rational aviation tax system, and (2) the desired industry and social outcome?
 - What is the appropriate balance between General Fund financing and Airport and Airway Trust Fund financing of capital and operating costs of the national aviation system, recognizing the significant role commercial and general aviation play in fostering economic growth and development?

RECOMMENDATION #10 – cont'd

(Competitiveness and Viability)

US Aviation Industry Viability

- The Subcommittee recommends that the Secretary review the results of the study and pursue appropriate legislative and regulatory actions that may be needed to ensure that existing and any new aviation taxes and fees applied to passengers, airlines and general aviation are effective and collected efficiently, appropriately recognizing the role commercial and general aviation plays in fostering economic growth and development.

RECOMMENDATION #11

(Competitiveness and Viability)

Airline Competition and Passenger Protections

- The Subcommittee believes that the Secretary of Transportation should ensure transparency in:
 - Airline pricing, including ancillary fees;
 - The disclosure of flight operators, such as code-share and commuter flights;
 - Disclosure of airline contracts of carriage, including easy consumer access to those contracts; and
 - In Departmental reporting of consumer air travel statistics, particularly with respect to code-share operations of regional carriers.

RECOMMENDATION #12

(Competitiveness and Viability)

Intermodalism: The Secretary should

- Examine the Essential Air Service program (EAS) and identify multimodal service opportunities for EAS-eligible communities;
- Recognizing that modernization of the air traffic control (ATC) system is the highest priority, recommend that legislation establishing an infrastructure bank, or any appropriate infrastructure legislation, give priority consideration to projects that link airports with other forms of transportation, such as rail and transit to create transportation hubs that serve multiple cities. This consideration should not result in the diversion of any funds from ATC modernization efforts, and should be done in conjunction with appropriate environmental and cost-benefit analysis. Transportation providers, including airports, could compete for funding to build the airport-link system; and

RECOMMENDATION #12 – cont'd

(Competitiveness and Viability)

Intermodalism

- Establish a task force on intermodalism, including representatives from all modes transportation, including aviation, to examine the status of efforts to remove barriers to intermodalism, make recommendations about advancing projects that achieve the movement of passengers and goods in a multi-modal fashion, and document the benefits of intermodalism. Benefits and costs should be measured at the overall transportation system level.

RECOMMENDATION #13

(Competitiveness and Viability)

- **Essential Air Service Reform**

- First, as an interim measure, limit the communities within the contiguous 48 States that are eligible for air service subsidies to those that were receiving it on a date specified in 2010.
- Second, update the criteria for EAS eligibility, recognizing there are communities that are or can be efficiently served by other modes of transportation through “leakage” to nearby airports that provide good connections and often low-fare service, or intermodal transportation services
- The Subcommittee recognizes the increasing importance of intermodal solutions to connect small and rural communities to the national air transportation system. The Subcommittee therefore recommends that the Secretary implement its recommendations on intermodalism expeditiously to support these related recommendations on EAS reform.

RECOMMENDATION #14

(Competitiveness and Viability)

Jet Fuel Price Volatility

- While the Subcommittee is unable to reach consensus as to the role that investor actions and speculation have played in the drastic fluctuations in oil prices over the last few years, a subject on which outside experts also disagree, pursuant to DOT's statutory mission of "promoting, encouraging, and developing civil aeronautics as a viable, privately-owned United States air transport industry,"¹ the Subcommittee believes that the Secretary should:

RECOMMENDATION #14 – cont'd

(Competitiveness and Viability)

Jet Fuel Price Volatility

- continue to be formally involved in the U.S. Commodity Futures Trading Commission (CFTC) rulemaking process to provide any information that might be helpful in the CFTC's investigation into the impact of investor and speculative activity on the price of oil;
- communicate to the CFTC the economic stress imposed on the industry by fuel price volatility; and
- support responsible regulatory intervention to reduce the volatility attributable to such speculative activities if the CFTC concludes that investor activity or speculative trading of oil futures has played a significant role in price volatility.

RECOMMENDATION #14 – cont'd

(Competitiveness and Viability)

Jet Fuel Price Volatility

- Jet fuel price and supply volatility can result not just from oil price fluctuations, but also from disruptions in the downstream production and distribution of aviation fuels. A number of major metropolitan areas and major airports have limited and aging infrastructure for the distribution of jet fuel. In addition to oil price volatility, these weak links in the distribution network create additional threats to the economic health of the commercial airline and general aviation industries. The Subcommittee believes that the Secretary should undertake a study on the state of our nation's downstream infrastructure – both on and off airport – for storage and distribution of aviation jet fuels.

RECOMMENDATION #15

(Workforce/Labor)

Science, Technology, Engineering & Math Education Programs (STEM)

- **Coordination and Focus within DOT:** Workforce development on STEM should be a centralized and focused top tier initiative of the Department of Transportation. The Secretary should assign the Assistant Secretary for Administration the task of developing, overseeing, coordinating, implementing, and integrating a strategic workforce development plan that includes STEM education programs and activities for the current and future workforce. A strategic plan would identify a) key strategies and program areas for outreach to students of all ages; b) subject areas for current and future workforce development that support future DOT needs (such as FAA skills in a NextGen environment); c) opportunities for professional and management intern/fellowships with the Department and its agencies; d) partnerships with industry that foster innovation and collaboration; and e) create an advisory council comprised of outside experts focused on aviation and aerospace can provide expertise to help identify, align, and coordinate efforts on workforce development and STEM education within the Department. Additionally, we encourage greater collaboration and coordination with the Department on STEM and workforce development. For example a transportation workforce development office within the Research and Innovative Technology Administration could be instrumental in fostering broader cooperation throughout the Department on workforce development initiatives, as well as between programs like the University Transportation Centers and the FAA Centers of Excellence.

RECOMMENDATION #15 – cont'd

(Workforce/Labor)

Science, Technology, Engineering & Math Education Programs (STEM)

- **Educational Outreach and Recognition:** The Secretary should take steps to increase outreach to educational institutions (from pre-kindergarten to institutions of higher education) to raise the visibility and profile of aerospace and aviation by enhancing existing programs to develop or expand aerospace and aviation education programs geared to support the future needs of aviation and aerospace, including implementation of NextGen technologies. The Secretary should also consider improving programs and connections with non-profit, independent, and for-profit two and four-year educational institutions (including community colleges) that give students hands-on experience applicable to the aviation and aerospace workplace. Finally, the Secretary should establish an award for innovation to recognize persons, businesses, or organizations that develop unique scientific and engineering innovations in aerospace and aviation (similar to the Baldrige award for quality or the Collier Trophy for aircraft).

RECOMMENDATION #15 – cont'd

(Workforce/Labor)

Science, Technology, Engineering & Math Education Programs (STEM)

- **Interagency/Intergovernmental Collaboration:** The Secretary of Transportation should work with the Secretary of Labor as an integral part of the Interagency Aerospace Revitalization Task Force, originally established in 2006, to implement a national strategy focused on recruiting, training, and cultivating the aerospace workforce. The Task Force should incorporate core manufacturing **business concepts and principles, such as lean manufacturing**, operational excellence, continuous process improvement, etc. into the workforce development process to ensure America can compete in the global manufacturing marketplace that underpins the success of our aviation industry. Additionally, the Secretary should work with the Department of Education to provide resources that would create state-of-the-art STEM elementary and secondary educational facilities.

RECOMMENDATION #16

(Workforce/Labor)

State of Labor/Management Relations

- Industry experts on both sides recognize that a new approach to solving traditional labor-management differences is required to provide a stable and efficient air transportation system which serves the best interests of the American public. An independent joint labor management committee was established in September, 2009, Dunlop II. Part of its goal was to find ways to improve the mediation process and delivery of mediation services. Dunlop II's final report was issued in April. The Dunlop II recommendations addressed the various challenges faced in collective bargaining today – not only through improvements in the mediation process, but also through providing suggestions on how labor and management could work closer together. These recommendations are in the very early stages of implementation and some have not been addressed at all as yet.
- The Labor/Workforce Issues Subcommittee of the FAAC recommends that the Department of Transportation urge the National Mediation Board to expeditiously implement the Dunlop II's recommendations. We also recommend that the Secretary advocate for adequate funding and resources to implement such recommendations.

RECOMMENDATION #17

(Workforce/Labor)

Workforce/Management Conference

- The Subcommittee proposes that the Secretary of Transportation endorse and implement a semi-annual Aviation Industry Workforce-Management Conference beginning in September of 2011. The mandate of the Conference would be to bridge the gap of information and understanding that generally exists today between the aviation workforce and its management with the ultimate goal of a healthier industry for all.

RECOMMENDATION #18

(Safety)

Legal Protection of Voluntary Safety Data and Information

- The Secretary of Transportation should seek comprehensive legal protections for voluntary and mandated (SMS) safety data programs and information to ensure their continued benefits to safety. The Secretary should pursue essential legislative action that is vital to provide ongoing protection of safety information sharing systems in the United States, and work with the Congress to introduce such legislation at the soonest possible opportunity.

RECOMMENDATION #19

(Safety)

Predictive Analytic Capabilities for Safety Data and Information

- Beginning with the FY2012 budget for the Federal Aviation Administration, the Secretary should provide focus, priority, and resources to develop improved tools and methods in order to provide a robust aviation system predictive safety risk discovery capability.

RECOMMENDATION #20

(Safety)

Expanding Sources of Voluntary Data

- The Secretary and the FAA Administrator, working with aviation system partners and other industry and government groups and advisory committees, should identify potential new and valuable sources of safety data, and establish criteria for when/how those sources would begin will be included.

RECOMMENDATION #21

(Safety)

NextGen and Enhanced Safety Performance

- The Secretary should ensure that safety performance standards and training are embedded into NextGen planning, implementation, and monitoring.

RECOMMENDATION #22

(Safety)

Identification of Safety Priorities

- The Secretary should quickly review the existing regulatory and safety initiative calendar, and provide parameters and criteria for the FAA to prioritize its current and future rulemaking program. This review should include industry, or at a minimum seek industry input, and the results should be made publically available. In addition, the Secretary should direct the FAA Administrator to review field safety and enforcement policies, procedures, and training to ensure they are aligned with the Safety Management System philosophies and supporting policies established by FAA headquarters.

RECOMMENDATION #23

(Safety)

Child Safety on Airliners: The Secretary should

- Utilize the full resources of his office to continuously educate the flying public about the dangers of flying with lap children;
- Update the economic and safety data concerning families traveling with small children, including incidents and accidents involving injuries and deaths;
- Based on the information provided by these findings, the Secretary should take necessary action, which may include a rulemaking or other appropriate next steps.