

**A REVIEW OF FAA'S EFFORTS TO REDUCE
COSTS AND ENSURE SAFETY AND
EFFICIENCY THROUGH REALIGNMENT AND
FACILITY CONSOLIDATION**

(112-88)

HEARING
BEFORE THE
SUBCOMMITTEE ON
AVIATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
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¹North Carolina congressional delegation signatories of the letter are: Sen-
ator Richard Burr, Senator Kay R. Hagan, Rep. Melvin L. Watt, Rep.
Mike McIntyre, Rep. Howard Coble, Rep. Brad Miller, Rep. Patrick T.
McHenry, Rep. Larry Kissell, Rep. Walter B. Jones, Rep. Sue Wilkins
Myrick, and Rep. G.K. Butterfield.



U.S. House of Representatives
Committee on Transportation and Infrastructure

John L. Mica
Chairman

Washington, DC 20515

Dick J. Rahall, III
Ranking Member

James W. Coon II, Chief of Staff

May 25, 2012

James H. Zeia, Democrat Chief of Staff

MEMORANDUM

TO: Members, Subcommittee on Aviation

FROM: The Honorable Thomas E. Petri, Chairman, Subcommittee on Aviation

SUBJECT: A Review of FAA's Efforts to Reduce Costs and Ensure Safety and Efficiency through Realignment and Facility Consolidation

PURPOSE

The Subcommittee on Aviation will receive testimony from witnesses regarding the Federal Aviation Administration's (FAA) facility consolidation and realignment plans and efforts. The Subcommittee will also receive testimony on the need for FAA action given the age and condition of FAA facilities; the state of the Federal budget; the need for cost savings; expected facility and infrastructure needs with the implementation of NextGen; and planning requirements included in the recently enacted FAA Modernization and Reform Act of 2012.

BACKGROUND

There are nearly 60,000 National Airspace System (NAS) operational facilities that support Air Traffic Control (ATC) and over 500 large buildings that house major ATC functions.¹ This includes 561 manned air traffic control (ATC) facilities—21 en-route centers and 542 terminal radar approach control facilities (terminal facilities).² The FAA is responsible for operations (i.e. controlling traffic) at all 542 terminal facilities. The FAA uses its own staff at 292 of the facilities and contractors at the 250 contract towers. FAA is responsible for physically maintaining or replacing 402 of the 542 facilities. The remaining 140 facilities are the

¹ National Airspace System Capital Investment Plan FY 2012-2016, p. 7 (2011).

² Air Traffic Control Towers (ATCT) are located at the airport and handle all takeoffs, landings, and ground traffic. En-Route Traffic Control Centers (En-route centers) handle 'en route' traffic, generally flying on instrument flight plans, at high altitudes as they move across the United States. Terminal Radar Approach Controls (TRACONs or terminal facilities) control aircraft, typically when they are within 40 miles of the airport, or transiting airspace near the airport.

responsibility of someone else (i.e. an airport authority, local government, private company, etc.). Of the 402 facilities that the FAA is responsible for maintaining, the FAA owns 338 and has agreements to maintain 64 facilities that are staffed by FAA employees.

FAA Facility Conditions

In 2008, the Department of Transportation's Office of Inspector General (DOT OIG) reported that while the average facility has an expected useful life of approximately 25 to 30 years, 59 percent of FAA facilities were over 30 years old.³ As of 2012, the average age of an en-route center is 49 years. The average age of a terminal facility is 28 years. According to the FAA, the estimated cost to replace 402 terminal facilities is \$10.6 billion. The estimated annual cost to sustain 402 terminal facilities is \$99.3 million.

During its 2008 audit, the DOT OIG observed obvious structural deficiencies and maintenance-related issues at several locations. These included water leaks, mold, tower cab window condensation, deterioration due to poor design, and general disrepair.⁴ In 2010, the FAA conducted an infrastructure analysis that found that 83 percent of its facilities were in either poor or fair condition and that some would not be able to support NextGen and other modernization efforts.

In 2008, the DOT OIG found problems with the FAA's facility maintenance program. Recurring maintenance needs, such as plumbing and electric repair, often went unfunded as scarce Operations funds were used almost entirely for budget items such as employee salaries and benefits.⁵ Further, the lack of control over funds contributed significantly to the deterioration of FAA's facilities and resulted in a deferred maintenance backlog of \$240 million, which was expected to climb to over \$380 million by 2020.⁶

In 2006, the FAA indicated that 33 terminal facilities required replacement. Of the 33 facility replacements identified in 2006, the FAA indicates that as of today 9 have been replaced, 14 are currently under construction, and the remaining sites are in analysis to determine the appropriate alternative of sustain, modernize, or replace. Currently, 332 facilities require renovation or modernization.⁷ According to the FAA, as of May 2012, 320 facilities have projects planned or underway.

NextGen Future Facilities Special Program Management Office (SPMO)

In 2010, the FAA established the NextGen Future Facilities Special Program Management Office (SPMO).⁸ This office is responsible for planning large-scale facility realignments and consolidation, developing requirements for these facilities, conducting relevant analyses, and coordinating these efforts with the Agency's other modernization offices. SPMO reports directly to the Air Traffic Organization's (ATO's) Chief Operating Officer (COO) and

³ "FAA's Management and Maintenance of Air Traffic Control Facilities," Report Number: AV-2009-012, December 15, 2008.

⁴ *Id.* at p.2.

⁵ *Id.* at p. iv.

⁶ *Id.* at p. 9.

⁷ The list of FAA facilities needing renovation or modernization is a dynamic list that is constantly changing.

⁸ FAA National Policy Order 1110.154, "Establishment of Federal Aviation Administration Next Generation Facilities Special Program Management Office," September 1, 2010.

FAA Deputy Administrator. According to the 2010 Order, the FAA's goal is to incorporate NextGen technologies into air traffic management facility design to provide future services in fit-for-purpose facilities. The objectives and scope of the SPMO are to elicit requirements for future facilities from all agency lines of business and the operations community. The SPMO also solicits requirements from program partners, stakeholders, customers and users. After capturing requirements, the SPMO analyzes and aggregates findings, identifies appropriate technologies and capabilities under development, integrates these findings into cohesive design plans, and vets design plans with senior agency leadership and key partners as appropriate. The SPMO evaluates design plans and coordinates with other agency initiatives to identify alternatives for new facilities.

Since the SPMO was created in 2010, they have developed the large-scale realignment and consolidation concept and have had this concept approved by FAA's Joint Resources Council (JRC), in November 2010. They have also started detailed planning for the first integrated facility at Newark Liberty International Airport (Liberty).

As of May 2012, the SPMO has been reorganized into the Air Traffic Organization's (ATO) Technical Operations group under the Air Traffic Facilities Directorate. According to the head of the Directorate, FAA intends to modify the existing SPMO charter to recognize the realignment to Technical Operations, re-enforce the agreements with other lines-of-business for continued support of the Future Facilities program, and will report all activities up to the ATO COO office. The FAA has also reorganized the Terminal and En-Route planning groups to the Air Traffic Facilities Directorate.

REALIGNMENT/CONSOLIDATION AND NEXTGEN:

Over the years, the FAA has conducted numerous studies indicating the need to realign, consolidate and collocate air traffic control facilities as the air traffic control system is modernized (NextGen). In his July 2007 testimony before the House Aviation Subcommittee, Bruce Johnson, FAA Vice President of Terminal Services, stated,

"A key element of the FAA's transformation into NextGen is consolidation of our facilities. The number and specific locations of many existing FAA facilities were determined by the capabilities and limitations of 1960's technology. In the subsequent four decades, the available technology has vastly improved, rendering the long-existing pattern of FAA facilities no longer the best configuration. Without consolidation, the FAA is tied to maintaining outdated facilities with outdated technology based on outdated 1960's radar boundaries. Further, consolidation lowers infrastructure costs, and helps improve safety and efficiency by making new technologies available for controllers. These savings and improvements mean fewer air traffic delays and lower costs for air travelers."⁹

⁹ Statement of Bruce Johnson, Vice President of Terminal Services before the Committee on Transportation and Infrastructure, Subcommittee on Aviation, on FAA's Aging ATC Facilities: Investigating the Need to Improve Facilities and Worker Conditions, July 24, 2007.

According to the Department of Transportation Inspector General Scovel (DOT IG) in testimony before the House Aviation Subcommittee on April 21, 2010, “A major factor in both capital and operating costs for NextGen is the degree to which the Agency eliminates or consolidates FAA facilities.”¹⁰ The DOT IG pointed out that the “FAA must make critical decisions on facility requirements, which in turn will significantly impact the type and number of systems needed to support NextGen.”¹¹ He further indicated that “continued delays in developing requirements and in making key program decisions will slow NextGen’s progress...” and raise costs significantly.¹²

In 2010, the FAA indicated that the following realignments to support NextGen were in process:

- Dayton to Columbus
- Reno to Northern California
- West Palm Beach to Miami
- Abilene to Dallas Fort-Worth
- Muskegon, Lansing, Grand Rapids to Kalamazoo
- Mansfield, Youngstown, Toledo, Akron-Canton to Cleveland
- Champaign to Chicago

In June 2010, the DOT IG reported that the FAA’s business case supporting its proposed transfer of terminal facility (or TRACON) services from Boise to Salt Lake City was “flawed and lacked transparency”,¹³ and recommended that the FAA periodically reassess the business cases for consolidating air traffic facilities throughout the system.¹⁴ The DOT IG’s letter stated—

“Facility realignments and consolidations will assume greater importance as FAA moves forward with the Next Generation Air Transportation System. Therefore, the Agency’s processes for estimating the costs and expected benefits of realignment efforts will warrant greater oversight. We discussed the results of our work with FAA’s Chief Operating Officer, and he agreed that it will be important to have sound business cases in the future for realigning and consolidating FAA facilities.”¹⁵

The FAA cancelled the proposed Boise/Salt Lake City consolidation in 2010.

In late 2010, the FAA and the National Air Traffic Controller Association (NATCA) established a work group to re-evaluate terminal facility (or TRACON) realignments. The group reviewed the original business cases while also taking into consideration non-quantitative issues such as the impact on employees. The work group provided recommendations to either

¹⁰ Statement of The Honorable Calvin L. Scovel III Inspector General U.S. Department of Transportation, before the Committee on Transportation and Infrastructure, Subcommittee on Aviation, on Challenges in Meeting FAA’s Long-Term Goals for the Next Generation Air Transportation System, page 5, April 21, 2010.

¹¹ *Id.*

¹² *Id.*

¹³ The Honorable Calvin L. Scovel III, Inspector General U.S. Department of Transportation, Letter to the Honorable Mike Crapo, the Honorable Mike Simpson, the Honorable James E. Risch, the Honorable Walt Minnick (Jun. 30, 2010) at 2.

¹⁴ *Id.* at 3.

¹⁵ *Id.*

“continue” or “defer” the terminal facility realignments proposed by the FAA and produced consensus recommendations. The FAA adopted all recommendations by the work group.

Therefore, as of May 2012, all further consolidations are on hold, but FAA will move forward with plans to maintain or replace aging facilities. According to the FAA, the current statuses of the terminal facility realignments identified in 2010 are as follows:

- Dayton to Columbus Ohio (**completed** June 2011)
- Reno to Northern California (**completed** October 2010)
- West Palm Beach to Miami (**cancelled**, plan to build new at Palm Beach International)
- Abilene to Dallas/Ft. Worth (**continue** - maybe completed October 2012, but more likely next year)
- Muskegon, Lansing, Grand Rapids to Kalamazoo (**deferred/on-hold**)
- Mansfield, Youngstown, Toledo, Akron-Canton to Cleveland (**deferred/on-hold**)
- Champaign to Chicago (**deferred/on-hold**)

At this time, the FAA is planning to start the realignment/consolidation process in the New York City region. Specifically, the FAA is planning to address the long-standing concerns about aging air traffic facilities with the stand-up of a new, Integrated Control Facility (ICF) servicing New York. The new facility will combine operations from New York ARTCC (ZNY) and New York TRACON (N90), and will accommodate employees who perform both high-altitude and low-altitude separation. The new ICF will be extensible to allow for future realignments and/or consolidations. According to the FAA, the latest technologies and the new service delivery model in this facility will improve coordination of air traffic in heavily-used airspace, and will serve as the template for how FAA does business in the future. The FAA's FY 2013 budget included \$95M for the ICF.

FUTURE FACILITIES INVESTMENT

The NextGen Future Facility program is responsible for defining FAA's long term strategy and approach to facility and service transformation.¹⁶ The program's charter and activities are aligned to the goals of the FAA Reauthorization language in section 804 (see description of section 804 below). The FAA recently approved an initial plan to consolidate en-route centers and terminal facilities (TRACONS) over the next two decades.¹⁷ The future facilities program seeks to upgrade and transform air traffic control facilities and sites to make them flexible, scalable and maintainable. FY 2013 is the first year the Agency requested funding for other than planning purposes.¹⁸

The FAA estimates that \$2.3 billion is needed to construct and equip the four integrated facilities planned for the first of six segments, but last year's Capital Investment Plan (CIP) only provides about \$700 million for the projects.¹⁹ In order to complete the projects, another \$1.6 billion in funding is needed, with nearly \$1 billion of that by FY 2017 (see table below).

¹⁶ Budget Estimates Fiscal Year 2013, p.59.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ National Airspace System Capital Investment Plan FY 2012-2016 (2011).

	FY11–FY17	FY18–Beyond	Total
Estimated Facility Construction and Equipage Costs	\$1,556.9	\$751.2	\$2,308.1
Previous CIP Funding Levels	\$557.7	\$144.1	\$701.8
Difference	\$999.2	\$607.1	\$1,606.3

Source: Initial Business Case for Next Generation Air Transportation System (NextGen) Facilities Program Segment 1 (November 2011).

COST SAVINGS/COST AVOIDANCE RESULTING FROM FACILITY REALIGNMENTS

The FAA has studied advantages of facility realignment, including cost savings and cost avoidance. With fewer infrastructure inventories, the FAA would have less to maintain, thereby achieving cost savings. Additionally, other cost savings and/or cost avoidances that could result from facility realignments include:

- Avoiding unnecessary investment costs for new buildings by using available space in other existing buildings in the FAA inventory;
- Realigning older, smaller facilities into one new facility, thereby achieving more efficient use of common space square footage;
- Saving on building maintenance and operation costs by reducing space inventory or by avoiding the increase of space inventory;
- Avoiding unnecessary investment costs for new automation equipment by leveraging state of the art automation system capabilities to upgrade facilities which still operate with an older Automated Radar Terminal System (ARTS); and
- Avoiding technical refreshment costs by managing automation equipment and leveraging existing automation capabilities.²⁰

FAA FACILITY MANDATES IN THE FAA MODERNIZATION AND REFORM ACT OF 2012

National Facilities Realignment and Consolidation Report (Section 804)

The recently enacted FAA Modernization and Reform Act of 2012 (“Reform Act”) includes a provision which requires the Administrator to develop, in conjunction with the Chief NextGen Officer and Chief Operating Officer, a National Facilities Realignment and Consolidation Report within 120 days of enactment.²¹ The purpose of this report is to support

²⁰ Source: Federal Aviation Administration, August 2010.

²¹ P.L. 112-95, Section 804, *Consolidation and realignment of FAA services and facilities*

the transition to NextGen and to reduce capital, operating, maintenance, and administrative costs of the FAA without adversely affecting safety. The report must include justifications for each recommendation and project costs and savings. The report is to be developed with the participation of: 1) representatives of labor organizations representing operations and maintenance employees of the air traffic control system; and 2) industry stakeholders. The public is to be given 45 days to submit comments on the report. The Administrator must then submit the report to Congress within 60 days after the last day of the public comment period. Unless a joint resolution of disapproval is enacted within 30 days of submission of the report to Congress, the Administrator is directed to follow the recommendations taken in the report during the realignment process.

FAA facility conditions study (Section 610)

The Reform Act also requires the U.S. Government Accountability Office to conduct a study of the conditions of a sampling of FAA facilities across the U.S., including towers, centers, offices and Terminal Radar Approach Control Facilities (TRACONs). The study will include reports from employees relating to health conditions resulting from exposure to mold, asbestos, poor air quality, radiation and facility-related hazards in FAA facilities; conditions of facilities that could interfere with employee's ability to perform their duties; the ability of managers and supervisors to promptly document and seek remediation for unsafe facility conditions; whether employees of the Administration who report facility-related illness are treated appropriately; and utilization of scientific remediation techniques to mitigate hazardous conditions. Its findings must be submitted to the FAA and Congress. Based on the results of the GAO study, the GAO is directed to make recommendations on which facilities are in need of immediate attention, and assist the Administration in making programmatic changes so that aging facilities do not deteriorate to unsafe levels. The GAO is required to submit its report to Congress within one year of enactment.

SUMMARY

Despite its understanding of the need to make decisions on facility requirements and to move ahead with realignments and consolidations, the FAA has previously met parochial political resistance from Congress, and at times, its own workforce. If the FAA is to successfully implement NextGen and achieve the expected cost savings, cost avoidances, and safety improvements, it must work with labor, industry and other stakeholders to develop clear facility requirements and sound business cases; comply with the mandates of the recently enacted Reform Act; and move ahead with needed realignments, consolidations, and/or maintenance plans in an expedited fashion.

Witnesses:

The Honorable David Grizzle
Chief Operating Officer
Air Traffic Organization
Federal Aviation Administration

Ms. Lou E. Dixon
Principal Assistant Inspector General for Auditing and Evaluation
Office of the Inspector General
U.S. Department of Transportation

Mr. Paul Rinaldi
President
National Air Traffic Controllers Association

**A REVIEW OF FAA'S EFFORTS TO REDUCE
COSTS AND ENSURE SAFETY AND
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THURSDAY, MAY 31, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AVIATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, Hon. Thomas Petri (Chairman of the subcommittee) presiding.

Mr. PETRI. The hearing will come to order.

And as has been noted by the familiar voice of Jimmy Miller, this is his last official hearing after many, many years, 36 years on the Hill as Air Force liaison and with the Science Committee and then with this committee, and he has got a unique arrangement. His salary is paid by both parties, so he can call them the way he sees them and work for all of us. I think there is no one here who doesn't have a story or two about Jimmy Miller, and he has stories about all of us and about a lot of other people who have served in the military and in leadership positions in American politics over the last 50 years.

And one story I think I can tell now, which he told me and I think it is true, Jimmy has traveled to 170 countries, and he has traveled with congressional delegations and military leaders. He has had three audiences with the Pope and numerous meetings at the Vatican. Well, the Pope has a Jimmy Miller, John Paul did anyway, someone who would help organize things and so on and so forth, so the two of them became very close friends. And when some American Congressman or Senator or other group of people from—especially from Washington, wanted a private audience with the Pope, and they didn't really no who this was or if it was worthwhile or not, the guy would call up Jimmy Miller, and he would decide if a person got a papal audience.

So it pays to stay on Jimmy's good side, especially if you want to be right with the Church.

Anyway, Jimmy, thank you very much for all you have done for me and for other members of our committee and for the working relationships that you had with the staff and with the people who make the Hill what it is.

And best of wishes for a very happy grandfatherly retirement for many, many years.

Mr. COSTELLO. Mr. Chairman, if you would yield.

Mr. PETRI. Yes.

Mr. COSTELLO. Mr. Chairman, thank you.

I can tell you that that is absolutely a true story about the Pope's right-hand person; Jimmy had a personal contact and a relationship, and I know firsthand because I called on Jimmy personally one time to do something for me with the Vatican. And he was able to do it in an orderly way and made me and my wife extremely happy.

I have traveled extensively with Jimmy Miller over the years, and I can tell you that no one knows as many people, not only on Capitol Hill but around the world, than Jimmy Miller does. He has done a wonderful job. He is a great service to Members. He always puts Members first, and he is the go-to guy. I think that anyone, members of this committee today or in the past several years since he has been with the T and I committee, any of the witnesses who were summoned or volunteered to testify, they would always check in with Jimmy Miller to find out what was going on to get advice. And we are going to miss him, his service, but I suspect, in fact, on another committee of which I serve, I have already talked to them about trying to recruit Jimmy Miller as a contract employee so that we don't let him get entirely away from us.

So, Jimmy, we appreciate all that you have done for us over the years. We hope that you do not go too far and that we continue to see you and continue to be able to call on you. You have been a great friend, and I look forward to continuing our friendship for many years after you leave the payroll permanently, but we might get you back here part time. Thank you.

Mr. PETRI. Mr. Coble would like to say a few words.

Mr. COBLE. Thank you, Mr. Chairman.

You and the distinguished ranking member have pretty well said it.

Jimmy, as we say in the rural South, you done good. Best wishes to you and Godspeed.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you.

The subcommittee today will hear testimony on the Federal Aviation Administration's effort to plan for and carry out much-needed facility realignments and consolidations. I welcome the witnesses and look forward to their testimony.

Five years ago, the subcommittee held a hearing on FAA facility conditions, and it certainly was a memorable one. At that hearing, the FAA witnesses testified that a key element of its transformation to NextGen air traffic control modernization is consolidation of its facilities. The FAA witness also noted that without consolidation, the FAA is tied to maintaining outdated facilities with outdated technology based on outdated 1960s radar boundaries.

As we all know, NextGen touches every aspect of the agency's mission and currently costs roughly a billion dollars per year. It is also a job creator and vitally important to allow the United States to compete in the global marketplace.

At the hearing 5 years ago, the Department of Transportation inspector general pointed out that a major factor in both capital and

operating costs for NextGen is the degree to which the agency eliminates or consolidates FAA facilities.

Congress agrees with the need for FAA to address its aging, run-down and obsolete facilities while furthering NextGen and making smart investments. In fact, in the FAA Modernization and Reform Act signed by the President on February 14, Congress included Section 804, which requires the FAA to develop a national facilities realignment and consolidation report within 120 days of that enactment. In accordance with Section 804, the FAA must work with labor and industry to develop a plan to transition to NextGen and to reduce capital operating maintenance and administrative costs of the FAA without adversely affecting safety. The report is to be submitted to Congress, and if Congress does not pass a joint resolution of disapproval, then the FAA must follow the recommendations included in the report, kind of a mini base closing arrangement.

It has been pointed out to me that the FAA's facility consolidation and realignment effort has actually been in the works for decades now. Over the years, this effort has resulted in some successes, but overall, very little progress has been achieved in terms of addressing the needs of NextGen, the FAA's aging facilities, some of which are well past their useful life and the poor working conditions endured by many FAA employees. This hearing is intended to focus attention on this critically important program and effort.

Every one is in agreement that the FAA must plan for the future by consolidating, realigning and closing many of the over 400 terminal facilities for which it is responsible. This not only makes sense from a budget perspective but also is an absolute necessity for NextGen. To this end, I look forward to hearing from the witnesses on the status of the FAA's facility consolidation and realignment plans.

Specifically, the subcommittee is looking for a clear description of the FAA's implementation timeline and cost estimates, how the FAA is working with labor groups and industry stakeholders and, finally, the agreed-upon metrics for determining progress. Today's hearing is an opportunity for the FAA to refocus its efforts, seek the support of Congress, labor groups and other stakeholders and take full advantage of the opportunity provided by Section 804 in the FAA Reauthorization Act.

Before we turn to the witnesses for their statements, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and include extraneous material for the record of this hearing.

Mr. COSTELLO. Without objection.

Mr. PETRI. Without objection, so ordered.

I now recognize Mr. Costello for his opening statement.

Mr. COSTELLO. Mr. Chairman, thank you.

And Mr. Chairman, I thank you for calling this hearing today. As you know, in July of 2007, I chaired an Aviation Subcommittee hearing to examine worker conditions at aging FAA facilities. At that hearing, the FAA testified that large-scale facility consolidation would be a key element of its plan to replace old facilities and transition to NextGen. Further, the FAA stated that consolidation

would improve safety and efficiency and lower infrastructure costs by making new technologies available for controllers.

Nevertheless, much of what we have heard 5 years ago is still true today. Many FAA facilities are outdated and deteriorating. The average age for an enroute center is 49 years while the average age of the terminal facility is 28 years. As both the chairman and ranking member of this subcommittee, I have supported legislation requiring the FAA to develop a plan for large-scale facility consolidation and realignment. I am pleased that the recently enacted FAA reauthorization bill requires the FAA to submit a facility consolidation plan to Congress.

I look forward to hearing from Mr. Grizzle about the status of this plan.

Additionally, I would continue to urge the FAA management to include the input of its workforce in developing consolidation plans as the law requires.

Large-scale consolidations will require the movement of thousands of employees and their families. In many instances, the FAA's management will need to negotiate potentially contentious issues with the FAA's unions. FAA leadership should proactively engage the agency's workforce, build consensus and head off potential pitfalls and delays. Moreover, while consolidation can reduce long-term costs, they are expensive to undertake in the near term. On any large-scale capital project, the FAA must carefully analyze whether the benefits outweigh the costs to the taxpayers.

In the past, the inspector general has identified consolidation efforts where FAA management made flawed assumptions about cost and benefits because the FAA did not effectively include the input of its workforce. I firmly believe that when the FAA management engages its workforce, it produces a better work product and a stronger business case for its actions.

Mr. Chairman, last year, I warned that if we authorized the capital funding levels that were too low in the FAA bill, we could hamstring facility consolidation efforts. In fact, the FAA estimates that its required capital expenditures, including the cost of consolidation, will greatly exceed the funding that Congress provided in the FAA bill for the next few years. The IG will testify today that tight funding limits in the FAA reauthorization bill have already delayed the approval of construction for the first phase of the FAA's Northeast consolidation plan.

Looking forward, if the funding levels in our recently enacted FAA bill are not adequate, then Congress must provide additional funding for the FAA through the appropriation process.

Mr. Chairman, I look forward to hearing from the witnesses today and look forward to asking some questions about how the process is going.

Mr. PETRI. Thank you.

Mr. Coble, do you have any opening remarks?

Mr. COBLE. Thank you, Mr. Chairman.

Mr. Chairman, I thank you and Mr. Costello for having called this hearing.

And I want to express our gratitude to our guests from the Federal Aviation Administration and the National Air Traffic Controllers for their appearance today.

We appreciate your testimony and dialogue.

I will not try to employ too much of the subcommittee's time this morning Mr. Chairman, and I have got two other meetings I am going to have to attend, so I will probably be in and out.

But I do want to comment on a problem that is confronting North Carolina's aviation community. The FAA has recently elected to geobalance North Carolina out of the Atlanta Airport District Office over to the Memphis Airport District Office. My North Carolina colleagues and I, Democrats and Republicans alike, from this and other bodies, strongly oppose the FAA decision. The utmost respect is due the FAA and its staff. They, after all, make our skies safer, more accessible and are responsible for maintaining one of our modern transportation's greatest achievements.

On the other hand, this ADO dog, in my opinion, just don't hunt. It takes an already proven system and changes it for reasons our offices have been unable to determine. In fact, this authorization strongly contradicts an Office of Management and Budget directive which instructs agencies, and I am paraphrasing, to spend at least 30 percent less on travel expenses now than in fiscal year 2010 and through fiscal year 2016.

I understand, Mr. Chairman, that there are no representations from the FAA here today who are directly affiliated with the GAO balancing decision, but I ask unanimous consent to submit a letter into the record from the North Carolina congressional delegation that has been sent to the FAA in opposition to its decision.

[The letter follows. The letter in reply from the Secretary of Transportation is also included:]

Congress of the United States
Washington, DC 20510

May 25, 2012

The Honorable Ray LaHood
Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, DC 20590

Dear Secretary LaHood:

We write to convey grave concern over the Federal Aviation Administration's (FAA) decision to initiate implementation of a plan that would move North Carolina from the Atlanta Airports District Office (ADO) to the Memphis ADO.

For over 45 years, the Atlanta ADO and the state of North Carolina have enjoyed a robust working relationship. In talking with stakeholders, it is very apparent that the North Carolina Department of Transportation (NCDOT), the North Carolina Airport Association (NCAA) and the state's 72 airports are extremely satisfied with the Atlanta ADO's ability to manage the needs of its patrons. This kind of specialized knowledge about the issues facing NC airports only comes with experience and years of developing customer service. Any changes to the current system should be properly vetted and made transparent given the drastic effects that such a proposal will have on our state.

The move from Atlanta to Memphis holds major implications with regard to travel time and costs. Simple estimations in the geographical difference between trips to Atlanta and trips to Memphis result in as much as two times the mileage and time traveled. NCDOT's Division of Aviation works regularly with Atlanta-based representatives of the Environmental Protection Agency, U.S. Fish and Wildlife, National Park Service, FAA Facilities and Air Traffic Control. It is our understanding that these trips serve multiple purposes and are deemed extremely efficient.

Furthermore, with regard to the travel implications of such a move, we would like to point out that of the nine commercial airports in North Carolina, eight offer non-stop services to Atlanta whereas only two currently offer non-stop services to Memphis. We understand that, in most cases, connections will have to be made in Atlanta or Charlotte, which will only add to travel time and budgets.

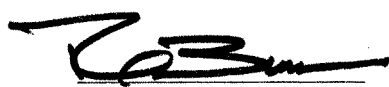
Charlotte-Douglas is the seventh largest airport in the country, yet North Carolina does not have its own ADO. Of the nation's thirteen largest airports, only Las Vegas shares this distinction. We would strongly suggest the FAA evaluate the effectiveness of moving the Memphis ADO to Charlotte. This proposal seems especially suitable given that North Carolina has 25 million enplanements annually while Tennessee and Kentucky combined has 15 million enplanements during that same time period.

While we do not fully understand the reasoning behind the FAA's proposal, we certainly appreciate the motive driving these efforts. As a delegation, it is our job to explore innovative ways to oversee a more efficient government. However, in light of the points laid out above, we would ask that the FAA respond to the following questions:

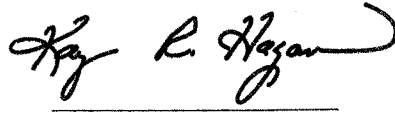
1. Trips from some eastern parts of North Carolina to Memphis could exceed 15 hours. Does this undermine any suggested rationales for realignment made in the name of efficiency?
2. Has the FAA considered realigning the Memphis ADO to Charlotte? If so, why was this move not acceptable?
3. We ask that the FAA provides supporting data on how this plan will benefit the aviation interests of North Carolina. Specifically, how will this move improve efficiency within the state?

We would appreciate a response to these questions by June 4, 2012. Until these concerns can be adequately addressed, we join NCDOT, the NCAA, and a majority of North Carolina's 72 airports and respectfully request that North Carolina not be moved from Atlanta to Memphis.

Sincerely,



Senator Richard Burr



Senator Kay Hagan



Rep. Melvin Watt



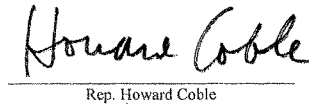
Rep. Larry Kissell



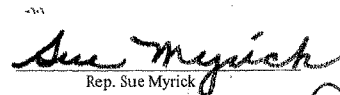
Rep. Mike McIntyre



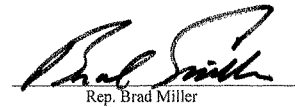
Rep. Walter Jones



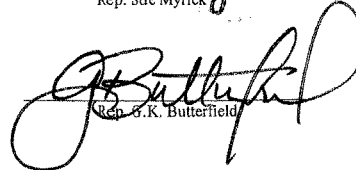
Rep. Howard Coble



Rep. Sue Myrick



Rep. Brad Miller



Rep. G.K. Butterfield



Rep. Patrick McHenry



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 18, 2012

The Honorable Howard Coble
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Coble:

Thank you for your letter, cosigned by your congressional colleagues, regarding the realignment of the Federal Aviation Administration's (FAA) Airports District Offices (ADO).

In your letter, you expressed concerns about how geographic balancing will benefit the aviation interests of North Carolina and improve efficiency within the State. This initiative is designed to allow us to improve our customer service through standardization, which requires balancing our field office workload to gain efficiencies and leverage limited resources. This was a commitment we made to Congress, and it is further reflected in section 812 of the FAA Modernization and Reform Act of 2012 that requires FAA to review each program office with the goal of improving efficiency. We have a proven track record of successful realignments in FAA's Eastern and Western-Pacific Regions in 2008 and 2006, respectively. We believe North Carolina, as well as FAA's other airport sponsors, will benefit from these improvements.

You also asked if FAA had considered realigning the Memphis ADO to Charlotte. In developing the geographic balancing initiative, we looked at many alternatives, including moving the Memphis ADO to another location. We did not specifically consider Charlotte; however, at the end of our analysis, we decided we could achieve the necessary efficiencies while still maintaining all of our existing offices without requiring staff moves or reducing jobs.

On May 14, FAA's Associate Administrator for Airports, Ms. Christa Fornarotto, met with the North Carolina Department of Transportation's Director of Aviation, Mr. Richard Walls, and the President of the North Carolina Airports Association, Mr. Don Howard, to officially advise State representatives that FAA would be moving forward on the geographic balancing initiative. The attendees were assured that every reasonable effort would be made for a smooth transition.

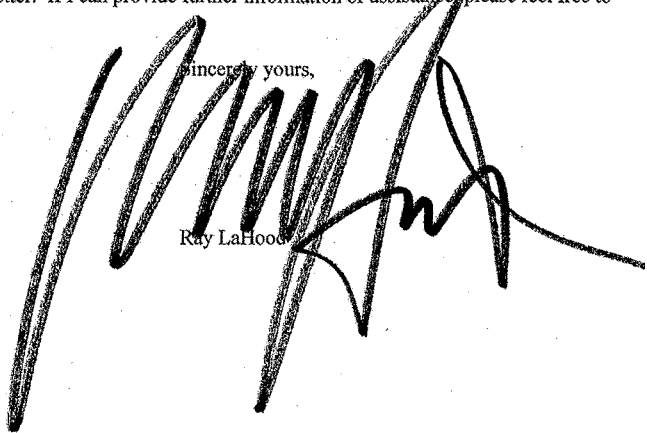
The FAA has offered alternatives to the State and its sponsors to help address concerns regarding travel costs. Ms. Fornarotto invited the State and the Association to continue to provide suggestions for the transition. She also encouraged local stakeholders to participate on transition teams, which began meeting on June 4. Through careful transition planning, we will ensure that all ongoing and prospective projects receive the highest level of service and consideration based on merit.

Page 2
The Honorable Howard Coble

I am happy to have Ms. Fornarotto brief you on this process. A similar response has been sent to each cosigner of your letter. If I can provide further information or assistance, please feel free to call me.

Sincerely yours,

Ray LaHood

A large, stylized handwritten signature in black ink, likely belonging to Ray LaHood, is written over the printed name. The signature is composed of several bold, sweeping strokes.

Mr. COBLE. I would also ask unanimous consent, Mr. Chairman, to submit a list of questions to the FAA representatives here today and would hope that the chairman and ranking member would give consideration to conducting a hearing on this problem some time later during the summer.

I ask unanimous consent to submit a statement on this matter, Mr. Chairman, from my fellow North Carolinians, Senator Hagan and Representative Butterfield.

[Please refer to the hearing section entitled, "Prepared Statements Submitted by Members of Congress" for the statement of Representative G.K. Butterfield. The letter from Senator Kay R. Hagan follows:]

KAY R. HAGAN
NORTH CAROLINA

SUITE SD-521
DIRKSEN BUILDING
WASHINGTON, DC 20510
(202) 224-6342

United States Senate

WASHINGTON, DC 20510

May 14, 2012

The Honorable Ray LaHood
Secretary of Transportation
US Department of Transportation
1200 New Jersey Avenue, SW
Washington DC, 20590

Dear Secretary LaHood,

I am writing to express my opposition to the Federal Aviation Administration's (FAA) proposal to move North Carolina from the Atlanta Airports District Office (ADO) to the Memphis ADO as part of a national realignment.

The Atlanta ADO has worked cooperatively and constructively for over 45 years with North Carolina's 72 airports, the North Carolina Department of Transportation (NCDOT), and the North Carolina Airport Association (NCAA). These stakeholders are all highly satisfied with their relationship with the Atlanta ADO and have raised significant concerns about the impact of the realignment on aviation services in North Carolina. Unfortunately, the lack of a transparent public input process prevented stakeholders in North Carolina from raising these concerns with the FAA prior to their release of the realignment plan.

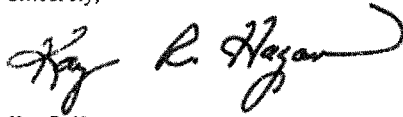
In particular, moving North Carolina from the Atlanta ADO to the Memphis ADO will create problems regarding travel. The round trip from North Carolina to Memphis is, on average, six hours longer than the round trip from North Carolina to Atlanta. This added length makes single day trips more difficult and makes dealing with the FAA greatly more inefficient for stakeholders in North Carolina. Airports in North Carolina must also coordinate with additional groups in Atlanta regarding flight procedures and navigational aids. My understanding is that these functions will remain in Atlanta, making future coordination more difficult and costly.

In addition, there are a number of specialized permitting issues associated with the coastal areas of North Carolina. Staff in the Atlanta ADO has developed specialized knowledge of these issues and possess other environmental expertise specific to North Carolina. I am concerned about the impact the time it will take for the Memphis ADO learn these unique permitting issues will have on North Carolina's airports.

I applaud the FAA for working diligently to save taxpayer money. However, I ultimately oppose moving North Carolina from the Atlanta ADO to the Memphis ADO because it does not support the FAA's goals of improving efficiencies, improving customer service, and controlling costs. North Carolina's airports, the NCDOT, and the NCAA share this opinion.

I appreciate your attention to this matter and urge you to impress upon the FAA the importance of North Carolina remaining with the Atlanta ADO.

Sincerely,

A handwritten signature in black ink, reading "Kay R. Hagan". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Kay R. Hagan

Mr. COBLE. And I thank the chairman and yield back.

Mr. PETRI. Without objection, your submissions will be made a part of the record.

And as you know, we have had a roundtable discussion with a number of the concerned airport officials from North Carolina, and if a hearing later in the year seems advisable, we will work with you on that.

Mr. COBLE. I thank you for your cooperation, Mr. Chairman.

Mr. PETRI. Any other opening statements?

If not, we will turn to the distinguished panel, consisting of David Grizzle, chief operating officer of the Air Traffic Organization at the FAA; Ms. Lou Dixon, principal assistant inspector general for auditing and evaluation, Office of the Inspector General at the Department of Transportation; and Paul Rinaldi, president, National Air Traffic Controllers Association.

Thank you all for being here. We thank you for the effort that you and your associates have put into the prepared statements that you submitted and invite each of you to do your best to summarize them in approximately 5 minutes, beginning with Mr. Grizzle.

TESTIMONY OF THE HONORABLE J. DAVID GRIZZLE, CHIEF OPERATING OFFICER, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION; LOU E. DIXON, PRINCIPAL ASSISTANT INSPECTOR GENERAL FOR AUDITING AND EVALUATION, OFFICE OF THE INSPECTOR GENERAL, U.S. DEPARTMENT OF TRANSPORTATION; AND PAUL M. RINALDI, PRESIDENT, NATIONAL AIR TRAFFIC CONTROLLERS ASSOCIATION

Mr. GRIZZLE. Thank you, Chairman Petri, Ranking Member Costello, members of the subcommittee. Thank you for inviting me to testify before you regarding the consolidation and realignment of the Federal Aviation Administration's facilities. The FAA's ability to meet the future needs of the aviation system, including the full implementation of NextGen technologies, fundamentally relies on the agency's ability to optimize our facilities and workforce to serve the needs of those who use the National Airspace System.

I want to say at the outset that we at the FAA view Section 804 of the FAA Modernization and Reform Act of 2012 as an invaluable opportunity to obtain congressional support to move forward with the transformation of our air traffic control facilities infrastructure.

The provision directs the FAA with input from labor and industry to develop consensus recommendations on a realignment and consolidation of FAA services and facilities and to report to Congress on those recommendations.

The process is collaborative in nature and will require FAA to consider insights from several sources.

While Section 804 applies to the facility consolidation and realignment plans for the entire FAA, the Inspector General's Office has a draft audit evaluating the air traffic organization's efforts in this area. Because of the scope of the ATO, its efforts make up a great majority of the agency's overall plans. The ATO's facility work will form the foundation for proceeding with the implementation of NextGen technologies while—very importantly—maintain-

ing the safety and reliability of the infrastructure upon which we must rely until NextGen technologies come on line.

We agree with the IG's assertion in the draft audit that FAA has not sufficiently developed the metrics necessary to evaluate the merits of various consolidation and realignment alternatives. We are working hard to determine the appropriate criteria for making FAA's decisions moving forward.

The criteria we used previously focused primarily on the capital cost of bricks and mortar, which was relatively simple to apply but failed to address critical operating costs and issues. Contract obligations and their impact on consolidations or realignment proposals, the location specific differences and other operating costs make these larger decisions more complex.

As we work toward developing our criteria and analytic tools, we will continue to seek the best information available to us.

As noted in the IG audit, as recently as 2008, FAA was making short-term decisions about how to invest its fiscal resources on facilities based on the immediate need to sustain the operations in the NAS. As the facilities aged and required more and more maintenance, it became evidence that short-term facility-specific investments, by themselves, were not a long-term cost-effective method of maintaining our critical infrastructure and could not adequately support the implementation of NextGen.

The U.S. airspace is the most complex in the world. It accommodates not only 22 million commercial operations a year but also a robust general aviation community as well as military operations. This mix represents an extraordinary range of aircraft types, capabilities and missions. For several years, we have recognized the need for a more holistic approach to address the combination of aging infrastructure and advancing technologies, technologies which no longer require that controllers be located near the airspace they are controlling in order to safely separate aircraft.

Because we can combine controller groups and their airspace, we can reduce the number of boundary handoffs and thus the possibility of human error.

Working with our unions over the past 2 years, we have developed a strategy to address different areas of airspace over the contiguous 48 States. The strategy adopts a segmented approach, prioritizing on the basis of need and optimizing opportunity for the airspace and facilities in question.

Our initial focus is on the New York area. Problems that develop in this airspace have consequences all across the country. How the consolidation or realignment is accomplished in this important area is something that is receiving our utmost attention and we expect to include a number of proposals affecting this airspace in the plan that we submit to Congress. The proposal will include consideration of the existing facilities, their condition, their location, the anticipated needs of the region, whether and where new facilities should be constructed and how FAA employees would be affected.

While the FAA's segmented plan extends out for several decades, the plan submitted to Congress pursuant to the legislation will only cover the time period into the future for which we have reasonably reliable visibility.

In conclusion, I want to thank the committee for inviting me to testify today and for affording the FAA to chance to take advantage of the opportunity offered by Section 804. We look forward to working with Congress, the IG, NATCA, and the industry to achieve the best possible outcome for this ongoing process.

This concludes my statement and I would be happy to answer any questions you may have.

Mr. PETRI. Thank you.

Ms. Dixon.

Ms. DIXON. Thank you. Mr. Chairman, and members of the subcommittee.

Thank you for inviting me to testify this morning on FAA's air traffic facility realignment and consolidation efforts, a key initiative for NextGen.

My testimony today is based on work we are currently doing at the request of this subcommittee. It will focus on FAA's plan for large-scale realignments and consolidations, key challenges for executing the plan, and actions the agency needs to take in the near term.

FAA's realignment and consolidation plan was formalized last November and calls for consolidating enroute centers and TRACONs into large, integrated facilities over the next two decades. The plan would divide the National Airspace System into six geographic segments that include four to five facilities each.

Work would begin on a new segment every other year with all segments to be completed by 2034. TRACONs and enroute centers would be combined into one of two types of facilities—each of which could house over 1,200 employees—based on operational requirements, airspace responsibility, and geographic location. FAA plans to start with a new integrated facility in the New York-New Jersey-Philadelphia area.

In our opinion, FAA's plan represents significant progress since our 2008 review when the agency was primarily focused on sustaining the existing infrastructure. However, FAA is in the early stages of planning and has delayed a final decision on exactly where to build the first facility until next May. The decision also involves determining complex operational, logistical, and workforce aspects of the consolidation. FAA's plans for future projects could change based on experiences with the first locations.

Successfully implementing FAA's consolidation and realignment plan and mitigating future risk will require the agency to address a number of challenges. First, FAA must align previously approved construction projects with its plan. While the agency has suspended all but one of its terminal realignment and consolidation projects, it is moving ahead with plans to maintain or replace some of its older facilities. This work could overlap with projects included in its consolidation plan.

Second, FAA must make key decisions related to automation platforms and equipment, airspace redesign, and other technical factors. The agency's modernization plans are based on the current facility set up, not consolidated or integrated facilities.

FAA is just beginning to define the technical requirements for an integrated facility, a determination that will impact the agency's future modernization plans and budgets, such as those for ERAM.

However, FAA has not made changes to its capital investment plan, and the full extent of the changes needed will not be known until FAA finalizes its consolidation plan.

Third, FAA must finalize project cost estimates and funding sources to construct, staff, and maintain the first integrated facility, a critical element of a long-term effort of this magnitude.

When the overall plan was approved last November, FAA estimated that it needed \$2.3 billion to construct and equip the first four integrated facilities. Given current budget constraints, FAA is considering all sorts of financing sources, such as public-private partnerships.

Finally, FAA must address workforce and community issues. Large-scale realignments and consolidations will require relocation of thousands of employees and their families. The agency will have to negotiate pay, training, moving expenses, and other issues with its unions. FAA is working closely with its bargaining units to gain consensus on these issues. But formal negotiations have not yet begun.

In closing, Mr. Chairman, let me point out that some of FAA's past facility consolidations did not produce the expected cost savings and operational benefits. As the current consolidation plan continues to evolve, we believe that metrics to track efficiencies and cost savings will be critical. Measuring the success of early sites will be key to determining whether the agency needs to modify its plans and expectations for future efforts.

By next May, we see four issues that FAA must address in its initial decisions: the location of the first integrated facility, the final cost estimates for that site, the metrics for measuring the success of the first locations, and the impact that FAA's large-scale plan will have on its other modernization efforts.

This concludes my statement, Mr. Chairman. I would be happy to address any questions you or other members of the subcommittee may have.

Mr. PETRI. Thank you.

Mr. Rinaldi.

Mr. RINALDI. Good morning, Mr. Chairman, Ranking Member Costello, distinguished members of the committee, aviation subcommittee, on behalf of more than 18,000 air traffic controllers and aviation professionals represented by NATCA, I would like to thank you for inviting me to testify before you on this important issue.

Ranking Member Costello, I am very grateful to testify before you one more time. To say that you will be missed after this year is a complete understatement. I can't thank you enough for your passion and your pride in doing the right thing for the National Airspace System, ensuring the safety and efficiency of the system, and I wish you the best in your post-Congress life.

NACTA's position on realignments is pretty clear: We support realignments, but only as part of a comprehensive plan with a clear objective and quantifiable efficiency gains and a sound business case evaluating each proposal.

The reason to realign FAA facilities would be to enhance operational services, provide continued or improved aviation safety to the National Airspace System, support and facilitate the mod-

ernization of the National Airspace System, address and mitigate concerns raised by stakeholders, and for it to be cost effective.

Realignment is not an issue that is new to me. As a controller back in 1990, I was one of the lead project managers on a building called the Potomac Consolidated TRACON project. Back then, we looked at taking the approach controls from Washington Dulles, Washington National, Baltimore, Richmond and Andrews and putting it into one building. The agency had a business plan. It had a sound case. They brought in all the stakeholders involved, and it made sense.

So we, as the union, worked together collaboratively with the agency to build a Potomac Consolidated TRACON project, which today is a huge success in my opinion. The process was not perfect, but at least the stakeholders were involved.

Let me be clear: NATCA supports facility realignments, but only as part of a comprehensive plan with a clear objective and a sound business case. To date, unlike the Potomac project, many of the FAA's projects have failed to reach that level of scrutiny.

Realignment is not the fiscal panacea that some believe it might be. In many cases, consolidating radar facilities costs the agency more money, not less. The IG in their own testimony has said that we have not, in the 1990s, have not reached the operational cost and efficiencies, because when you sever TRACONs from the tower, you increase personnel, and not taken into account is the increased telecommunications cost that goes with it.

We should not assume that if we are going to realign facilities that the NAS is going to have less infrastructure. It actually is going to have more, because we are increasing the number of facilities. But there still may be very good reasons to do that.

The past decade is filled with consolidations done incorrectly: Memphis; Orlando; Beaumont, Texas; and Pueblo, Colorado. In Orlando and Memphis, they severed the tower from the TRACON, not increasing operational efficiencies at all but increasing personnel costs. Orlando itself increased by 11 people.

In 2009, we established a collaborative joint work group under Administrator Randy Babbitt, and we looked at now the agency was moving forward with projects of consolidation. Ultimately, the group collaboratively studied the planned realignments and recommended to move forward on three. We wanted to stop two because they actually were using flawed business cases. If we are working together in collaboration, we can just look at what has to be done and move forward in the right way for the taxpayers; for the American public and for the flying public.

We applaud FAA Reauthorization Section 804 that requires to have stakeholder involvement.

The recommendation that NATCA would make is that we sit together; we work on developing a plan in a holistic way for the National Airspace System, that is good for the taxpayer, that is safe, efficient, and gives us the ability to modernize the system. I look forward to answering your questions, and I thank you for your time.

Mr. PETRI. Thank you.

Thank you all for your testimony.

I do have a couple of questions.

Mr. Grizzle, could you tell the committee if the agency has adequate authority to transfer funds if, for example, there is a consolidation leading to more efficient use of personnel, do you have the authority to carry over the operating cost savings from the closure of one facility to assist in the transition costs for a new facility, or also the authority to retain proceeds from the sale of facilities that are closed down to help offset the costs of constructing new facilities? Is there adequate authority, or is this a problem?

Mr. GRIZZLE. Because the transition from an old facility to a new facility occurs over several years, we would be able in the ordinary budgeting process to be able to effectuate the transfer of operating costs.

The transfer of capital investment would depend on what the actual ownership is of the facility that is being closed versus the facility that is being owned.

Mr. PETRI. I understand that you are fairly far along on plans for a consolidation or reorganization in the New York region, which is a crucial kind of congestion point in the national system at this point.

Could you discuss at all how you are working on that with various private industries, stakeholders and union and other concerned parties? Local governments as well.

Mr. GRIZZLE. Yes. Thank you. As Ms. Dixon and Mr. Rinaldi have mentioned, we have developed a long-term segmented facility consolidation plan that would ultimately result in substantial facility consolidation in the 48 contiguous States.

The first segment that we are devoting detailed attention to is what we call segment 1, which includes the New York area. We have been working with NATCA for a couple of years in two components of that plan, part of it is airspace redesign, and then closely related to that is design of a facility.

We are at the point now where we have a well developed concept of the facility, but we are now at the stage where we must begin to move to site-specific decisions. We have to decide where the site will be located, and that will require significant employee and management input as well as input from local communities, Members of Congress and other industry stakeholders. We are just now at the process of having our concept sufficiently definitive that we can begin that additional, those additional steps of outreach.

Mr. PETRI. Thank you.

I want to compliment both you and NATCA for your efforts to communicate and work through this process, which can be unsettling for employees and individual situations, and in that connection, in my own area, I am familiar with a number of organizations, large companies that have gone through massive changes in the way they were operating internally in order to be more competitive and efficient. And while years ago, those changes might have been resisted across the board by organized labor, more recently United Auto Workers, for example, and others have supported those efforts because they realize to maintain high-paying jobs, they are going to have to increase productivity, and but nonetheless there has been a tension between the national union and locals in some cases.

Could you discuss how you are working that through, Mr. Rinaldi, or if that is an issue? I am sure it is to some extent a fact.

Mr. RINALDI. Thank you, Mr. Chairman, that is an excellent question.

If you go to any facility across the country and you say, well, we are going to consolidate you on such-and-such date and you are going to move across State boundaries, across the State, across the town, obviously, change is a concern for everybody and resistance sets in.

But if you actually go with a comprehensive plan and say this is the game plan, we are going to start phasing you in. We are going to build the building at this location. Here are the schools. Here are the job opportunities for your spouses, and here is the median cost of housing. If you have a comprehensive plan that you actually bring to the employees, I think change is not that resistant, and they will have the ability to plan their future as opposed to the uncertainty. And I think that is where we have to be better with a comprehensive plan to bring to the employees at the local level so that we do have that buy-in.

Mr. PETRI. Thank you.

Mr. Costello.

Mr. COSTELLO. Thank you, Mr. Chairman.

To follow up on your comment, Mr. Rinaldi, what you are saying is for a smooth transition, what you have to have is a plan that was not developed by just the FAA, it needs to be developed by the controllers, by the stakeholders and everyone involved from day 1, is that correct?

Mr. RINALDI. That would be correct, yes.

Mr. COSTELLO. Let me ask you, Ms. Dixon, in the 2010 analysis of the Boise consolidation, the IG made recommendations afterwards that the FAA should, in fact, make certain that they have direct communication input with the employees, controllers and others.

Tell me what you uncovered in the Boise consolidation that made the IG make these recommendations?

Ms. DIXON. Thank you.

Congressman Costello, we found that there was a lack of communication. There was also a lack of transparency. The FAA had developed multiple plans over the course of a few years and did not continually communicate the changes that they made to those plans to the local officials, the local workforce, or to, I think, some of the national workforce members.

In 2005, they had decided that they were going to co-locate the Boise and Salt Lake City facilities. Subsequently, in 2009, they decided that they would go for a consolidation, but they didn't communicate these changes to the workforce and to the local community. So it caused some unnecessary questions and concerns about what exactly what was going on.

Mr. COSTELLO. Let me ask you about the funding levels in the reauthorization bill.

Do you believe that they are adequate to carry out the FAA's proposed consolidation plan?

Ms. DIXON. We are aware that FAA has identified some funding shortfalls. They do not yet have all of the funding in place that

they will need to construct even the first segment. However, as I mentioned, they are looking at some other alternative financing options, but they have not yet really finalized all the cost estimates. So before they can really decide how to fund it or where to obtain the funding, they will need to definitize the cost estimates, but it will be critical that they continue to communicate exactly how much money they will need and when they will need it.

Mr. COSTELLO. You state in your testimony that the tight funding levels in the authorization bill led to delayed approval of the construction of the first phase of the Northeast facility consolidation. Is that an indication of what we are looking at down the road in the future? I mean, we are now, we already have a delay because of a lack of funding level for the Northeast consolidation. Is that an indication of what we are going to see from here on out?

Ms. DIXON. Congressman, it is certainly possible that it is an indicator. The funding environment obviously is very tight right now. FAA recognizes that, and they are looking at other options, but certainly that is a potential indicator.

Mr. COSTELLO. Mr. Grizzle, you have heard me state in the past more times than you like I am sure that if it comes to negotiating contracts, if it comes to consolidation, whatever it may be, that my opinion is that in order for the best outcome, you have to have input from both sides, that the FAA just can't develop a policy and say to the stakeholders, this is the way it is going to be, that there has to be input. You know, as you have indicated in your testimony and it has been mentioned that Section 804 of the reauthorization bill in fact requires the FAA now to engage and develop consensus with the stakeholders.

These recommendations, which you have to report back to Congress as mandated in the bill, are due in mid June, yet in Mr. Rinaldi's testimony, he states that NATCA has not been involved in any discussion efforts to produce these recommendations.

So my question to you is, have you reached out as a result of the reauthorization bill or that Congress has mandated a report back from the FAA to the Congress as to how you are going to involve the stakeholders, the controllers and others? Have you reached out to NATCA and other stakeholders to ask for their input?

Mr. GRIZZLE. Sir, I believe that we need more than just input. I think that true collaboration is more than simply giving another party an opportunity to comment on a plan that has already been devised by you. And so we are engaging with NATCA now and with our other unions and subsequently with other community stakeholders to have true collaboration, which will involve them in actually compiling the decisions and not simply commenting on a decision that we have already made.

Mr. COSTELLO. Well, specifically, tell me, what has the FAA done with NATCA and the other union in order to begin the process?

Mr. GRIZZLE. NATCA has been very involved in the conceptualization of the airspace redesign and the design of the New York facility, which will be the first implementation of our long-term consolidation strategy. We are only now at the point, as I said earlier, of beginning to definitize the site-specific decisions that apply to that initial implementation.

Mr. COSTELLO. But my question specifically is not about the New York airspace. It is about how you are going to go about with the consolidation plan for the entire system and what the procedures will be as far as input from and input from all of the stakeholders.

Have you developed that plan? And if not, when did you intend to sit down with the stakeholders since you are to report to Congress in just about 3 weeks?

Mr. GRIZZLE. The plan that Mr. Rinaldi and I have discussed is that we would devise a set of criteria, which would guide our consolidation decisions. That would be a set that we and NATCA would agree are the right ones to apply to all of consolidation decisions.

Mr. COSTELLO. And when you sat down with Mr. Rinaldi, which I will ask him to respond as well, how long ago was that?

Mr. GRIZZLE. We discussed this maybe a month ago.

Mr. COSTELLO. Maybe a month ago. But not before that?

Mr. GRIZZLE. Not—not—the decision, not in terms of devising the criteria, that is correct.

Mr. COSTELLO. Mr. Rinaldi, I wonder if you would respond.

Mr. RINALDI. I would be happy to, sir. Roughly 10 days after that very authorization was signed by the President, February 14, NATCA sat down and developed a scoping document of what we would like to see out of Section 804. And we submitted at a lower level where a working group would sit there and work that. It seemed to be going nowhere. It was about a month after that we had initial conversations, Executive Vice President Gilbert and myself, David Grizzle and Deputy COO Rick Ducharme had a brief conversation and said, we need to get moving on this because our report is due, and they agreed. Their intent was not to stall by any stretch of the imagination.

We then submitted what we thought would be a good starting point that we could work on. And it wasn't until about a month after that when we actually had the conversations that this is a good place to start. And Mr. Grizzle is exactly right; we had a conversation in which we talked about really developing real metrics of what we are going to measure and how we are going to analyze the real cost of doing realignments. And it was probably last week or the week before where we set a meeting for June 5 to have our first joint meeting to start working on this game plan.

Mr. COSTELLO. So just so I get this right, when you determined that you would sit down, both of you, on June 5, how long ago was that?

Mr. RINALDI. About 10 days ago, I guess, yes.

Mr. COSTELLO. About the time when this hearing was called, is that correct?

Mr. RINALDI. Pretty close yes.

Mr. COSTELLO. So you knew—the FAA knew they were coming in here for this hearing and, it seems to me, said, we better reach out because the questions are going to be asked, but they didn't reach out and talk to you before that?

Mr. RINALDI. We had broad conversations, but as far as putting some meat on the bones to develop a report, we had not had those conversations.

Mr. COSTELLO. Mr. Chairman, I have already taken too much time, but I think it is another example of how when this subcommittee provides oversight hearings and holds the FAA's feet to the fire, that they act, and I suspect that a June 5 date would not have been set had you not scheduled this hearing today that we would have ended up missing the, either not having a report to the Congress by the middle of June or having a report without direct input in collaboration with not only NATCA but the other union and other stakeholders.

So I would just make that point and again compliment you for holding this hearing, and it is another example of when this subcommittee acts, then the FAA acts. And when we do not hold their feet to the fire, they go on to other things; when we schedule hearings, they say we had better get our act together and get moving on this because the subcommittee is going to be asking us questions.

Mr. PETRI. So we will be happy to work with you on strategically organizing hearings to get all these things moving.

Mr. LoBiondo, I apologize. Earlier, I note you had a short opening statement, and I didn't realize that, and anyway the floor is yours.

Mr. LOBIONDO. Thank you.

Thank you, Mr. Chairman. I just was going to briefly say that I am happy to see the positive results of the workforce and the FAA management working together. This is clearly something that we have to do, and I know the FAA and many front-line controllers are working on dozens of modernization projects at the tech center, which is my district. I have a very keen interest in this because all of the validation work will come through that tech center.

And I want to say to the men and women of that tech center, a huge thank you for their dedication to excellence and each and every day reaching out and going beyond above and beyond the call of duty.

I think their presence is helping to ensure these projects are on time and on budget, which are both extremely important as we move through this, and I am confident that their continued inclusions will benefit the flying public and the American taxpayer. So NextGen is a huge undertaking for the country, and I hope we can keep on track, and I appreciate what you have done on this so far and certainly thanks to our panel for being here.

I know, Mr. Grizzle, we have touched on some of these things, but I am not sure if we touched on, is there a national facilities plan or an FAA organization that is working on an overall national facilities plan?

Mr. GRIZZLE. Yes, sir, there is. It is part of the organization within the air traffic organization that is responsible for all facilities decisions.

Mr. LOBIONDO. OK, and does the FAA have an estimate of what calendar year the cost sustaining and maintaining the old facilities becomes more expensive than creating the new ones?

Mr. GRIZZLE. We currently expend more on maintaining old facilities than building new ones.

Mr. LOBIONDO. The other questions that I was going to ask were already asked by the previous Members, so, Mr. Chairman, I thank you and thank the panel once again.

Mr. PETRI. Thank you.

Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

I am a bit puzzled and concerned here. We are going to develop a comprehensive, long-term plan, which is going to direct billions of dollars of invest, reinvestment, reconfiguration, affect thousands of people and their lives, affect the critical airspace. It was mandated by Congress. It is due in 2 weeks. And you were also mandated to work in a cooperative and coordinated fashion with the people who actually provide the service, the air traffic controllers and other unions involved in maintenance and those sorts of things, and yet the first time you are going to sit down and have a comprehensive scoping discussion or whatever it is going to be is going to be 9 days before the report is due.

Is there a draft report already done that you are going to present to them at that point for comment? Or you are going to write the report beginning on the 5th of June and have it done by the 9th?

Mr. GRIZZLE. Sir, as Ms. Dixon has said, these are extremely complicated decisions, and our intention is to develop a plan that would go out 5 to 8 years.

Mr. DEFAZIO. Is that what it meant when you said—there is some bizarre word you used—“reasonably reliable visibility” for the time period? Is that what you mean?

Mr. GRIZZLE. Yes.

Mr. DEFAZIO. It would have been better if you had said 5 to 8 years, because I really don’t know what “reasonably reliable visibility” meant. OK.

Mr. GRIZZLE. And so the plan that we intend to submit to Congress will go out to 5 to 8 years, will be definitive 5 to 8 years, and we are very much focused on making accurate decisions, even if those decisions take longer to make than what we would have liked.

Mr. DEFAZIO. Meaning—OK, that means we aren’t going to have a comprehensive—you are not going to present a comprehensive plan for 5 to 8 years on the 14th because you just said you wanted to be accurate and et cetera.

Mr. GRIZZLE. We believe it is very important that the plan that we submit to Congress be one that we are confident can be executed based on the input of the union and other stakeholders who we involve in the decisionmaking process.

Mr. DEFAZIO. Right because we have had some problems in the past; it seemed kind of like you were throwing darts at the board and deciding you are going to consolidate here and you are going to separate here and you are going to do that. And the last time you sat down with the employees and talked about this, I actually poked a lot of holes in your analysis in your business case. And you had some independent reviews that did the same. And then the GAO did the same. Have you developed all new criteria since then and something that we can, that is transparent that we can understand on how you are moving forward with these decisions?

Mr. GRIZZLE. We are in the process of developing that decisional structure with NATCA. The problem—

Mr. DEFAZIO. Or you are going to be in that process starting on the 5th for a report due on the 9th?

Mr. GRIZZLE. The problem with our prior analyses were that they were overwhelmingly capital cost-centric. Decisions that are made solely on the basis of relative capital cost can in fact be negative NPV decisions because they don't—

Mr. DEFAZIO. Negative what?

Mr. GRIZZLE. Net present value decisions because they do not accurately consider the disparate costs of operating two different facilities. If we don't restructure the airspace and change the way we actually control that airspace when we move it to a new facility, we, in fact, will have done ourselves no benefit from a cost-benefit analysis.

Mr. DEFAZIO. I understand that. I have been on this committee 26 years, and as I have said many times, there is only one agency worse at acquisition and other sorts of decisions than the Pentagon, and that would be the FAA.

Now let's get to it here. Come on. We are going to have something comprehensive 9 days after you sit down for the first time with the people you have just identified as the principal potential cost factor in this, which is those who actually do the work, versus looking at what buildings are leaking or need replacing and those sorts of things; you are going to do all this on a 9-day period? Don't you think you need to ask for an extension here?

Mr. GRIZZLE. We are certainly not going to present an incomplete plan to Congress.

Mr. DEFAZIO. OK. I am not concerned about the deadline. I am concerned about the process and getting a good plan that is better than that the last sort of random plan that didn't work so well.

Mr. GRIZZLE. We share that concern very much because we cannot make right decisions without including all of the people who will be affected by those decisions.

Mr. DEFAZIO. OK, and Mr. Rinaldi, since your organization is sort of the major focus of the new concerns of the FAA, which go to how it affects labor, labor costs and operating costs, do you feel that—I am a bit bemused by this process that you are getting into the room and the major discussion is 9 days before the report is due. Do you feel they are really committed to work with you on this?

Mr. RINALDI. I believe the higher up leadership at the FAA, David Grizzle and Michael Huerta, are absolutely, positively committed to collaboration. Our frustration kind of develops a couple levels down, when you actually sit at the table and try to work on business cases and try to develop good criteria for how to move forward, and it seems that there are a couple of pieces of paper that are always missing from the table. It doesn't seem to be forthright, and you are making decisions without accurate information.

So my frustration comes at that level, not at the higher level with David Grizzle and with Michael Huerta.

That said, I am concerned with developing a comprehensive plan on something that is as complicated as consolidating facilities and realigning facilities in the National Airspace System, that 9 days

is clearly not enough. Given everybody's busy schedules, certainly 9 days is, I don't think, enough, but it is certainly a start. We could sit down and look at enhancing the operational services, providing improved safety, modernizing these systems, working in state-of-the-art facilities, addressing the stakeholders' concerns and really looking at the real cost. Because if you take a TRACON from a tower and you move it across the country, you are still leaving that tower behind that FAA still has to operate, including the cost and the personnel.

So consolidations don't decrease the spending of the FAA; they actually increase it, specifically regarding personnel, and in many cases, you are adding buildings to the National Airspace System infrastructure.

So I have major concerns.

Mr. DEFAZIO. Mr. Chairman, I would reflect—I am pleased to hear that Mr. Grizzle and others higher up are working cooperatively with NATCA and others who are most knowledgeable about many of the concerns. But I am really concerned about pressure they might feel, the agency might feel, because of the arbitrary deadline. And it is clear to me that between the 5th and the 9th, we can't have something that would be a long-term comprehensive work product that addresses all of the deficiencies and the past planning efforts and consolidations. And I don't know whether the committee might want to consider somehow addressing that.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you, Mr. DeFazio.

Mr. Duncan.

Mr. DUNCAN. Thank you very much, Mr. Chairman.

In the very detailed pages of the briefing paper that we received is this interesting quote from Bruce Johnson, the FAA vice president of terminal services, who testified before this subcommittee almost 5 years ago. He said, "A key element of the FAA's transformation into NextGen is consolidation of our facilities. The number and specific locations of many existing FAA facilities were determined by the capabilities and limitations of 1960s technology. In the subsequent four decades, the available technology has vastly improved, rendering the long-existing pattern of FAA facilities no longer the best configuration. Without consolidation, the FAA is tied to maintaining outdated facilities and outdated technology based on outdated 1960s radar boundaries. Further consolidation lowers infrastructure costs and helps improve safety and efficiency by making new technologies available for controllers. These savings and improvements mean fewer air traffic delays and lower costs for air travelers."

Now that is a very interesting summary given to this subcommittee 5 years ago. However, when I go further, it says, of the consolidations identified in 2010, it says, as of May 2012, all further consolidations are on hold. And then it says, two have been completed, Dayton to Columbus, Reno to northern California. But then it says, West Palm Beach to Miami, canceled. Abilene to Dallas/Fort Worth, continued. And then three others: Muskegon, Grand Rapids to Kalamazoo, deferred and on hold. Mansfield, Youngstown, Toledo, Akron to Cleveland, deferred and on hold. Champaign to Chicago, deferred and on hold.

It looks, to me and I think almost everyone else, that very little progress has been made. And what I am wondering about, Mr. Grizzle and Ms. Dixon, if this subcommittee was to hold this same type of hearing 5 years from now, would we hear the same type of testimony? Do you honestly, deep down inside feel that there would be more progress? Or is this just such a difficult, almost impossible task that we are not going to get anywhere basically? Because we haven't made much progress in the last 5 years.

Mr. GRIZZLE. I don't want to underestimate the difficulty of the task. As I have said, if we merely consolidate facilities without restructuring the airspace and altering the cultures of the constituent groups that come into the newly consolidated space, we may very well set ourselves back. We will have a larger facility, but it will be operating at higher costs than what the disaggregated facilities were previously operated at.

We have not been able to do as thorough analyses of these consolidations in the past as we need to be able to do. I believe that in the next 5 to 8 years, you will, in fact, see progress, but it will be progress that is based on decisions that are made individually, without a bias in favor or against consolidation of any individual facility when we began to evaluate it.

Mr. DUNCAN. But do you agree with that lengthy quote that I read from Mr. Johnson that he said all these good things that consolidation could lead to? Was he exaggerating? Or was he wrong?

Mr. GRIZZLE. Consolidation is certainly a major part of our facility plan going forward. But still, each consolidation decision must be made facility by facility because some facilities will only increase our costs by being consolidated into a larger and more expensive facility.

Mr. DUNCAN. Ms. Dixon.

Ms. DIXON. Congressman Duncan, we do believe that FAA has made a great deal of progress since our 2008 review on this issue in developing the plan. However, there are a number of decisions that have yet to be made on cost, on location, on workforce, the type of equipage, and those kinds of things. And they are very complex decisions, as Mr. Grizzle said. This is also a huge undertaking. So it will take a lot. We can't really say what will happen in 5 years. But according to the plan, by that time, they should be well on their way with segment 1.

Mr. DUNCAN. Well, let me ask you this: In regard—not only to consolidations. But in regard to other things as well, does the FAA have any type of incentive or bonus-type program for employees who come up with ways to reduce cost or save money?

Ms. DIXON. I am not aware of that, Congressman. We have never looked into that issue. So I really can't say. I would be happy to get back to you with an answer.

Mr. DUNCAN. All right. Mr. Grizzle?

Mr. GRIZZLE. We implemented Department of Transportation-wide a facility called Idea Hub which is intended to stimulate cost-saving ideas, among other good ideas. And although they are not uniformly attached with a bonus, it would not be unlikely that if an employee came forward with an innovative cost-saving idea, that they would receive a cash award under the existing program

that we have for awarding performance by employees that is above and beyond the call of duty.

Mr. DUNCAN. I understand that on another thing that the one roof/one pay policy has resulted in some pretty ridiculous things happening. Is that still the policy of the FAA? Or is it under review or being changed in any way?

Mr. GRIZZLE. Our current contract with NATCA provides that all controllers working in a particular facility be covered by the pay scale that applies to that particular facility. This is one of the reasons that when we consolidate facilities, we must do a more thorough job than we have in the past of actually redesigning the airspace and the way the work is done so that we don't just increase our controller costs by consolidating the airspace in—or the work, rather, for the airspace in a higher level facility.

Mr. DUNCAN. Is it true that that policy has resulted in some controllers receiving much, much higher pay for much less work?

Mr. GRIZZLE. They work in the same fashion that they did previously, but they are doing the same work in some cases at a higher pay level than what they were in the preconsolidated facility.

Mr. DUNCAN. All right. Thank you very much.

Mr. PETRI. Mr. Hultgren.

Mr. HULTGREN. Thank you, Mr. Chairman. Thank you all for being here.

I have a couple of questions.

Mr. Rinaldi, last week I took a tour of the enroute center in Chicago, which as you know handles all the high-altitude air traffic over Illinois and much of the Great Lakes region. I learned a lot about ERAM, the new automation platform that is being installed at the facility and other enroute facilities across the country. It is the En Route Automation Modernization. I was surprised to learn that the Chicago center will have the system installed ahead of schedule and possibly under budget, due mainly to the high level of collaboration between controllers, management, and the facility. And as the president of the controllers union, I wonder what your thoughts are on that, how it is going, and also to see other ways that we could model after this collaboration across the system.

Mr. RINALDI. Thank you for the question, sir.

ERAM is a very important project. It is actually—to steal David Grizzle's line—it is the chassis on which we are going to bolt on many of the new technologies for NextGen, which is living proof that you don't need to build a new building to do NextGen. You actually can put ERAM into the current buildings.

Collaboration in a lot of facilities is going very well. In some facilities, not so well, and we are addressing them at the higher level and trying to mentor and give them some interest-based collaboration tools so they can work together at the lower level. And we believe—David Grizzle and myself—that once we get the local levels working, as we have in the Chicago tower and center and TRACON in that area, everyone seems to be working on the same page. It is better for everybody. It saves money for the taxpayers; and it runs a seamless operation, a safe operation.

Mr. HULTGREN. Yeah. I was really struck with, again, a facility that I think they said was 50 years old, the building, and yet cutting edge, a real positive feel as I went in there. I was very im-

pressed just with the work that was going on but also the incredible collaboration between all the parties. I really do think that it is a model of how it should be run.

Mr. Grizzle, I wonder, any potential facility consolidation should certainly take into account user and public input. I wondered how the FAA will ensure the user community and public have that opportunity to be heard. And I wonder if you could just walk through the process for us of how that will happen.

Mr. GRIZZLE. Sure. The reality about collaboration that is frequently missed is that collaboration requires that your planning horizon be enlarged. You can't do collaboration quickly. And collaboration most frequently fails because adequate time for collaborating has not been provided in your process. So as we are working through our planning process for doing consolidations, we are making sure that we create this time for collaboration with the different stakeholders that you mentioned. So an important part of that will not only be giving them notice of our tentative decision but then giving them an opportunity to be able to compile their insights about that decision, to receive them, and then for them to hear what our response will be. And so it will elongate the total time that it will take us to make these decisions. But again, collaboration takes time.

Mr. HULTGREN. And I am sure the fact of CRs and kicking FAA authorizations down the road 20-some times doesn't help in that predictability of timing. So we have got to do our part up here I know as well.

I have heard some concerns from some stakeholders, Mr. Grizzle, that the FAA has conducted partial cost analyses with a bias towards consolidation; thereby casting doubt on the objectivity of the FAA's decision, Boise TRACON consolidation, for example. The inspector general has echoed many of these concerns. Will the FAA complete consolidations of this type without a transparent accounting? Or will the transparent accounting be there?

Mr. GRIZZLE. As I said earlier, we are currently looking at consolidations without a bias in favor or against consolidation. We believe that in many instances, it is exactly the right thing to do for the airspace and for the economics; and in other cases, it is not. And we intend to look at each decision individually.

I think more importantly, we are going to do a far more thorough job of retrospectively looking at the consolidations that we do complete to assure that they have achieved the objectives we set out for them. We are going to see, did we bring them in on schedule? Did we bring them in on budget, with particular attention to transition expenses which tells you whether the consolidation you did was done cost effectively. Have you achieved the operating costs that you expected to achieve? Have you, in fact, produced a more efficient airspace? And finally, what is your employee satisfaction?

Mr. HULTGREN. I see my time has run out. Thank you very much. I yield back.

Mr. PETRI. Thank you.

Mr. Lankford.

Mr. LANKFORD. Thank you. I just have a couple of quick questions. Thanks for being here as well.

Mr. Grizzle, talk to me a little bit about—there is this transition point here between sustaining old facilities and new facilities coming online. This is the challenge most people have with an automobile of, how many years do I use this automobile before it collapses, and at what point can I sell it and get a different one? How are you guessing that out with some of our facilities right now in that transition between older facilities and what it costs to just sustain them and keep them up, versus building new? And how do we handle that transition?

Ms. Dixon, I am coming back to you on the idea on that same thing as well.

Mr. GRIZZLE. Your analogy I think is perfectly apt. And that is the reason that we are approaching these decisions on a facility-by-facility basis. Because in addition to the decision about whether you can afford to continue the upkeep of your car, you have got sort of the relative cost of operating the old car versus the new car. And so we are attempting and we are going to, with each of our consolidation decisions, decide, what will it cost to build a new facility or to consolidate into an expanded facility versus the cost of maintaining it?

Mr. LANKFORD. How is that decision being made? Who is making that decision? How is that decision being made? Because obviously those are difficult numbers to get your head around.

Mr. GRIZZLE. They are very difficult.

The analysis, in terms of the actual computation, will be done by members of the FAA staff but in collaboration with a broader union group that will in a sense make sure that we are getting all the cost elements in.

Mr. LANKFORD. OK. Ms. Dixon, obviously those are challenging things when you start dealing with transitions on it and people and process on that; ideas on how to be able to evaluate that or suggestions that you would make that are beyond even what you have written in your report.

Ms. DIXON. Congressman, we believe strongly that the key will be developing good metrics and continually monitoring the successes or challenges as they occur when they are going about these consolidations. It will be critical that once they get the first facility completed, that they are able to look at a few areas to see whether they have achieved the cost savings, for example, and whether they have achieved the operational efficiencies that they had wanted to get out of this effort, as well as the workforce efficiencies, because part of the goal is to get productivity up. So we think that the metrics will be critical.

Mr. LANKFORD. So you are talking about trying to go slow to a few facilities initially, get it right, and then advance on at a larger scale from there?

Ms. DIXON. Yes, sir. And that is actually consistent with FAA's plan. Their intent is to build the New York facility first and take a close look at all of the things that happened with that construction and to determine whether they need to make changes going forward.

Mr. LANKFORD. OK. Is there additional legislative authority needed in this? As far as shutting down facilities and closing down—I know closing down any facility, transferring, changing,

building becomes a political football in this process. What else is needed at this point to be successful?

Ms. DIXON. I would say the funding is probably critical.

Mr. LANKFORD. There is an answer I haven't heard in a long time in Congress.

Ms. DIXON. Well, FAA has indicated that in order to start the construction on even the first phase, they need all the funding in place.

Mr. LANKFORD. OK.

Ms. DIXON. So it is critical that they get that. But it is also critical that they know how much they need and when they will need it. So that is a critical issue for them. But determining all of the things that go along with the consolidation are certainly critical to that part. They have got to figure out what equipment they want to put into the buildings and how many people will go into the buildings. A number of decisions like that are going to drive the cost.

Mr. LANKFORD. OK. Mr. Grizzle, can you make any comment on that, any other legislative authority that you know if that is needed?

Mr. GRIZZLE. We have adequate legislative authority. We need stability of funding.

Mr. LANKFORD. OK. Mr. Rinaldi, would you like to make a comment on that at all?

Mr. RINALDI. I would like to make a comment just to recognize that in certain situations, you are not getting rid of that car. You are actually maintaining it and giving it to your child. Because if we take the approach control out of Oklahoma City and move it to Dallas/Fort Worth—

Mr. LANKFORD. Which would be a bad idea.

Mr. RINALDI. It would be a bad idea. I would agree with you there.

But if we did that, you would still leave a facility, a tower behind that had to run the tower operations in the Oklahoma City airport. So you would still have to maintain that facility. If it had a leaking roof before you did that move, it would still have a leaking roof. But in some situations, you are closing facilities. Like in the New York project that we are looking at, you would take two buildings—New York TRACON and New York Center—merge them into one. You would get rid of two buildings and have one building. So in certain situations, it makes complete sense; and in others, you are keeping that car for your child.

Mr. LANKFORD. OK. Thank you. I yield back.

Mr. PETRI. Thank you.

We were talking about looking at things from the point of view of the FAA and its desire to reorganize and looking at things from the point of view of the employees affected. And naturally, they are concerned about the location of their job and working conditions and all the rest.

Are we also consulting with the customers or the people the system is designed to serve; that is to say, the airlines or the traveling public as they experience traveling through the services of various airlines who use the system?

I have been impressed to visit some of these different airline operations and discover that they each have their own air traffic control system, which is nationwide that I guess is usually out of one facility or maybe two, where they are in some cases keeping track of thousands of flights and many details and loading and unloading—it is amazing—operating weather and compliance with different requirements of the Federal Government, that they can't be outside the gate for more than a half—

So they may have some lessons on how to—or does it make any difference? I mean is the cost structure of the economy affected by any of this? Will it make airlines more or less expensive? I mean, what I am trying to say is, what we have been talking about is one piece of it, but at the end of the day, all this exists to serve the American public and the economy. And the industry is sort of a proxy for that. And they have a lot of experience. They are knowledgeable customers. So will they be consulted as well? Or are there ideas there where we can achieve efficiencies that will serve us all well?

Mr. GRIZZLE. The airlines are principally interested in the design of the airspace. That is where their own efficiency is impacted most significantly. And in that regard, they are integrally involved in not only the large-scale airspace redesigns, like we have completed with New York, but in the sort of smaller, more incremental airspace changes that we are making regularly throughout the system. In fact, we can't even make those design changes without their involvement because we frequently need them to run the proposed routes on their simulators. So they are integrally involved in the airspace redesigns, which is a part of facility consolidation, and they have been for quite a while. They are essential to the process.

Mr. PETRI. Thank you.

Mr. Costello at this time.

Mr. COSTELLO. Thank you, Mr. Chairman. I really don't have any other questions. But I would like to say, one, given the fact that my understanding is that the NextGen Facility Special Program Management Office was established on September 1, 2010, it is disappointing to hear that we do not have a metrics, as Ms. Dixon and others pointed out, to determine how we are going to go forward with consolidation and determine which facilities, where it makes sense to continue to operate versus to consolidate and build new facilities.

So I would just say that—I have been through the base closure process now four times—five times, actually, since I have been in Congress. And I have heard the Department of Defense, from the Secretary of Defense to others, testify what cost savings that we would achieve by consolidating and closing facilities. And more times than not, they have proven to be wrong, that we have not achieved the savings that the Department of Defense said that we would achieve.

I, like I think all three of you and everyone, realize that consolidation needs to go forward where it makes sense; in other cases, where it is not cost effective, and we can continue to operate with some of the facilities that we have, we should do that.

But my main concern here is, one, that whatever action is taken, that it is taken place collaboratively between all of the stakeholders

involved, number one. And number two is that you come up with a metric that, in fact, measures the true cost to the taxpayers, what makes sense and what doesn't. And it is pretty obvious to me that consolidation is a priority in order to implement NextGen.

The office was established in September of 2010, and we still do not have—with the input of all of the stakeholders—a plan in place where we can measure the cost of how we want to go forward. So I would just say that I would hope that the FAA, working with the stakeholders, can, in fact, begin to develop that plan and a plan that measures the true cost of consolidation and not duplicate what the Department of Defense did. And that is that they overestimated savings and underestimated cost.

Thank you, Mr. Chairman.

Mr. PETRI. Thank you. And I would like to thank all the witnesses for being here today and your responses to the questions of the members of the committee.

This hearing is adjourned.

[Whereupon, at 11:25 a.m., the subcommittee was adjourned.]

STATEMENT BY CONGRESSMAN G. K. BUTTERFIELD
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON AVIATION
HEARING ON "A REVIEW OF THE FAA'S EFFORTS TO REDUCE COSTS AND ENSURE SAFETY AND
EFFICIENCY THROUGH REALIGNMENT AND FACILITY CONSOLIDATION"
MAY 31, 2012

Chairman Petri and Ranking Member Costello, thank you for the opportunity to submit this statement for the record.

I am deeply disappointed by the Federal Aviation Administration's (FAA) March 15, 2012 decision to shift support for North Carolina's airports from the FAA's Atlanta Airport District Office (ADO) to the FAA's Memphis ADO. FAA ADOs provide support to states and individual airports with funding, compliance, safety, construction, environmental issues, and planning. The North Carolina Department of Transportation (NCDOT) and the North Carolina Airports Association (NCAA) are opposed to this plan and have told the FAA that this change will increase costs for the state and its airports, while decreasing their level of service.

Aviation is a fundamental component of North Carolina's history, a key job creator in our state's economy, and an important growth sector for our state's future prosperity. North Carolina has 72 publicly-owned airports and more than 47 million passengers fly to and from our state each year. For more than 45 years, North Carolina has enjoyed a symbiotic working relationship with the FAA's Atlanta ADO. In February, the FAA announced it was considering moving responsibility for North Carolina's airports to another ADO. The stakeholders that have contacted me, including the NCDOT and the NCAA, are pleased with the ability of the state's current assigned ADO to manage their needs and believe realignment will result in a degradation of service and higher costs.

In response to the FAA's consideration of the realignment proposal, the House Subcommittee on Aviation held a roundtable with stakeholders on April 27, 2012. During that meeting, Chairman Petri, Aviation Subcommittee Members, Members of the North Carolina Delegation, and FAA representatives heard from NCDOT's Aviation Director Richard Walls, the President of the Board of Directors of the NCAA Don Howard, and other North Carolina stakeholders about their opposition to the realignment proposal. According to North Carolinians at that meeting, the shift will make it more difficult and expensive for state and airport representatives to travel to the FAA regional office. Airport directors from my Congressional District may have to travel more than fifteen hours to reach Memphis. Additionally, the shift eliminates the opportunity for state and airport representatives to meet simultaneously with their FAA Regional office and officials from the other federal agencies located in Atlanta.

Despite overwhelming public opposition, the FAA intends to move forward with its realignment proposal. I urge the FAA to reconsider its decision and fully consider the economic and service impacts this realignment would have on the state of North Carolina.

Thank you very much.

Very truly yours,

A handwritten signature in black ink, appearing to read "G. K. Butterfield", with a stylized flourish at the end.

G. K. Butterfield
Member of Congress

SENIOR DEMOCRATIC WHIP
 COMMITTEE ON SCIENCE, SPACE
 AND TECHNOLOGY
 RANKING MEMBER
 COMMITTEE ON TRANSPORTATION
 AND INFRASTRUCTURE
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 CONGRESSIONAL BLACK CAUCUS
 CHAIR, 107th CONGRESS



Eddie Bernice Johnson
 Congress of the United States
 30th District, Texas

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Statement for the Record
 Congresswoman Eddie Bernice Johnson
 House Committee on Transportation & Infrastructure
 Subcommittee on Aviation

Thursday, May 31st, 2012, 10:00 a.m.

A Review of FAA's Efforts to Reduce Costs and Ensure Safety and Efficiency
 through Realignment and Facility Consolidation

One of the triumphs of the passage of the FAA Reauthorization bill was that the NextGen modernization authorized will transform our National Airspace System, and through innovation our skies will be safer to travel.

However, the Department of Transportation's Office of Inspector General 2008 report noted that while the average facility has an expected useful life of approximately 25-30 years, 59% of FAA facilities were over 30 years old. In addition, a 2010 analysis conducted by the FAA showed that 83% of its facilities were in poor or fair condition, and that some facilities would not be able to support NextGen and other modernization efforts.

This Committee has received testimony over the years on the need to realign and consolidate air traffic control facilities as the air traffic control system is modernized. It is critical that the agency, working with Congress, determine how best to address outdated facilities and the use of outdated technologies. In addition to the expense associated with maintaining unnecessary facilities, we must ensure that we are deploying the technologies that will best keep air passengers safe.

According to the agency's testimony, consolidation will not only lower infrastructure costs, but it will help improve safety and efficiency.

I thank Chairman Petri and Ranking Member Costello for holding this critical hearing, and look forward to the witnesses' testimony on how to best affect the realignment necessary to control costs and improve air traffic control safety.

STATEMENT OF J. DAVID GRIZZLE, CHIEF OPERATING OFFICER,
AIR TRAFFIC ORGANIZATION OF THE FEDERAL AVIATION
ADMINISTRATION, BEFORE THE HOUSE COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON
AVIATION ON THE CONSOLIDATION AND REALIGNMENT OF
FAA FACILITIES, MAY 31, 2012.

Chairman Petri, Ranking Member Costello, Members of the Subcommittee:

Thank you for inviting me to testify before you regarding the consolidation
and realignment of the Federal Aviation Administration's (FAA) facilities.

The FAA's ability to meet the future needs of the aviation system, including
the implementation of NextGen, fundamentally relies on the agency's ability
to optimize our facilities and workforce, to take advantage of emerging
technologies and to serve the needs of those using the national airspace
system (NAS).

Section 804 Requirements

I would like to say at the outset that we at the FAA view Sec. 804 of Public
Law 112-95, the FAA Modernization and Reform Act of 2012, as an
invaluable opportunity to obtain Congressional support to move forward
with the transformation of the FAA air traffic control facilities infrastructure.
The provision directs the FAA, with input from labor and industry to
develop consensus recommendations on the realignment and consolidation

of FAA services and facilities, and to report to Congress on those recommendations within 120 days from the date of enactment. The process is collaborative in nature and will require FAA to consider the input from several sources, including the Department's Office of the Inspector General (IG).

Inspector General Draft Audit

While Sec. 804 applies to the facility consolidation and realignment plans for the entire agency, the Inspector General's (IG) Office has a draft audit evaluating the Air Traffic Organization's (ATO) efforts in this area. These efforts will form the foundation for proceeding with the implementation of NextGen technologies, while maintaining the safety and reliability of the infrastructure upon which we must rely until NextGen technologies come on-line. The FAA has not yet had an opportunity formally to provide official input to the IG's findings. Nevertheless, we agree with the IG's assertions in the draft audit that FAA has not sufficiently developed the metrics necessary to quantify the merits of various alternatives with respect to consolidation and realignment. We are working hard to determine the appropriate criteria for making FAA's decisions moving forward. The criteria we used previously focused primarily on capital costs of brick and mortar, which was relatively simple to apply, but failed to address critical

operating costs and issues. Contract obligations and their impact on consolidations or realignment proposals, and location-specific differences in other operating costs make these larger decisions more complex. As we work toward developing our criteria and analytic tools, we will continue to seek the best information available to us.

The FAA currently operates 542 facilities, including air traffic control centers, TRACONs, and airport towers. Of these, 292 are staffed by FAA employees and 250 are contract towers. FAA is responsible for the maintenance and/or replacement of 402 of these facilities, many of which are quite old. As noted in the IG audit, as recently as 2008, FAA was making short term decisions about how to invest its fiscal resources on facilities based primarily on the immediate need to sustain the operations in the NAS. As the facilities aged and required more and more maintenance, it became evident that short term, facility-specific investments were not a long-term, cost-effective method of maintaining our critical infrastructure and could not adequately support the implementation of NextGen.

Framework

The U.S. airspace is the most complex in the world. It accommodates, not only 22 million commercial operations a year, but also a robust general aviation community, as well as military operations. This mix represents an extraordinary range of aircraft types, capabilities, and missions. For several years, we have recognized the need for a more holistic approach to address the combination of aging infrastructure and advancing technologies—technologies which no longer require that controllers be located near the airspace they are controlling in order to safely separate aircraft. Because we can combine controller groups and their airspace, we can reduce the number of boundary hand-offs and, thus, the possibility of human error. Working with our unions over the past two years, we have developed a strategy to address different areas of airspace over the contiguous 48 states. The strategy adopts a segmented approach, prioritizing on the basis of need and optimization opportunity for the airspace and facilities in question.

Initial Efforts

Our initial focus is on the New York area, which is encompassed in Segment One of the FAA's Capital Investment Plan. Problems that develop in this airspace have consequences across the country. We are currently engaged in

a collaborative process to address the future in New York with our unions and facility management playing a central role. We need their input and acceptance in order to proceed effectively. There are 49 facilities to be considered in Segment One. How their consolidation or realignment is accomplished is something that is receiving our utmost attention and we expect to deal with a number of them in the proposal that we submit to Congress. Also, as required by law, we will solicit input from industry stakeholders and impacted communities to achieve a proposal with all perspectives having been considered. While obtaining and considering the views of a broad range of affected entities will take some time, it will result in a better product. The proposal will include consideration of the existing facilities, their condition, their location, the anticipated needs of the region, whether and where new facilities should be constructed and how FAA employees would be impacted. The cost of different alternative approaches will also need to be considered including, the tradeoff between capital costs and long-term operating costs.

Going Forward

Similarly, as we look beyond replacing the New York facilities, we anticipate our process to make consolidation and realignment decisions will

be adjusted based on lessons learned, changing demands on the system and emerging technologies. Consequently, while FAA's segmented plan extends out for several decades, the plan submitted to Congress pursuant to the legislation will only cover the time period into the future for which we have reasonably reliable visibility. As a result, the plan will go out about 5-8 years.

We all recognize the importance of meeting tomorrow's demands as quickly as possible while continuing to ensure the safety of the air transportation system. With respect to consolidation, realignment, and transforming to NextGen, FAA appreciates the opportunity Sec. 804 affords us to make difficult decisions with the support of Congress. We think the segmented approach ATO has developed strikes the right balance allowing us to make challenging decisions as quickly as possible. We agree with the IG determination that there is more work to be done to quantify and justify difficult decisions. We expect this ongoing process to be ever more refined as we progress.

Coordination with FAA Partners

With respect to the broader Sec. 804 directive, ATO has the largest role to play, given its size and the changing mission we must support as we transition to NextGen. However, I want to assure you that other FAA organizations, led by the Shared Services Regions and Center Organization, are working together to ensure the FAA's approach to consolidation, particularly in administrative space around the country which will contribute to the goal of the provision. Each affected offices/lines of business have plans to meet with appropriate union representatives to develop a target plan that can be used as a platform to begin to include aviation stakeholders and impacted communities as required by the law.

Until the passage of the most recent authorization, there was no requirement for a single agency-wide consolidated plan. Consequently, the different needs and goals of each organization within the FAA were treated separately and included different time frames. All of these different goals and timeframes must be coordinated and consolidated into a single proposal for Congressional consideration. We believe this process will be complicated, but certainly worth doing, so we are up for the challenge of meeting the

Congressional mandate. I can state with certainty that the agency's work is underway and advancing.

Conclusion

In conclusion, I want to again thank the Committee for inviting me to testify today and for affording the FAA the chance to take advantage of the opportunity offered by Sec. 804. I also appreciate the IG audit that confirms the complexities of our mandate and the work we must do to make the most effective decisions. I would also like to thank our National Air Traffic Controllers Association (NATCA) partners for their collaboration in recognizing the need for significant change and to support the future of aviation. We look forward to working with Congress, the IG, NATCA and the industry to achieve the best possible outcome for this ongoing process.

This concludes my statement. I would be happy to answer any questions you may have.

**Before the Committee on Transportation and Infrastructure
Subcommittee on Aviation
United States House of Representatives**

For Release on Delivery
Expected at
10:00 a.m. EDT
Thursday
May 31, 2012
CC-2012-021

Progress and Challenges With FAA's Facility Consolidation Effort

**Statement of
Lou E. Dixon
Principal Assistant Inspector General
for Auditing and Evaluation
U.S. Department of Transportation**



Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to testify on the Federal Aviation Administration's (FAA) air traffic facility realignment and consolidation effort, a key initiative for the Next Generation Air Transportation System (NextGen). FAA operates thousands of manned and unmanned air traffic control facilities that rely on ground-based technology, including 21 en route centers and 540 Terminal Radar Approach Control (TRACON) facilities and air traffic control towers—many of which have outlived their useful life and cannot take advantage of new technologies. This aging infrastructure, along with the development of NextGen, prompted FAA to establish the NextGen Future Facilities Special Program Management Office (SPMO). Last year, SPMO developed a plan to realign and consolidate the Agency's air traffic facility network that could fundamentally change the way FAA operates the National Airspace System (NAS) and significantly impact FAA's modernization efforts and air traffic workforce.

At the request of this Subcommittee, we initiated an audit to review FAA's realignment and consolidation activities and identify any associated challenges. My testimony today is based on this ongoing work and will focus on (1) FAA's plan for large-scale realignments and consolidations of its air traffic facility network, (2) key challenges that FAA faces in executing its plan, and (3) actions the Agency can take in the near term to successfully consolidate its facilities.

IN SUMMARY

FAA's realignment and consolidation plan, which it formalized last November, calls for consolidating en route centers and TRACONs into large, integrated facilities over the next 2 decades, beginning with a new integrated facility for managing airspace in the New York/New Jersey/Philadelphia metropolitan areas. However, FAA is early in its planning and has delayed making a final decision until next May on where to build the first facility. Regardless, FAA will still need to align consolidation plans with ongoing construction projects, make technical decisions that could significantly alter the cost and schedules for other modernization programs, finalize project cost estimates, and address associated workforce and community issues. Although FAA's consolidation plans are evolving, a number of near-term actions could better position the Agency for success. These actions include incorporating lessons learned from prior consolidation efforts, developing metrics to identify and track anticipated benefits, and determining how best to keep Congress and other stakeholders informed as the effort progresses.

BACKGROUND

According to FAA, the average age for an en route center is 49 years, while the average age of a TRACON is 28 years.¹ In 2008, we reported that 59 percent of FAA facilities were over 30 years old and identified structural deficiencies and maintenance-related issues at many facilities.² Consistent with our observations, FAA reported in 2010 that 83 percent of its facilities were in either poor or fair condition and that the infrastructure at some facilities would not support NextGen and other modernization initiatives.

Sustaining the existing air traffic control system requires the Agency to spend a significant portion of its capital budget to replace and maintain these aging facilities and related infrastructure. In fiscal year 2012, FAA plans to spend \$104 million to replace or improve TRACONs and air traffic control towers, \$47 million to maintain en route centers, and \$78 million to sustain electrical power systems.

On September 1, 2010, the FAA Administrator took an important step towards replacing this aging infrastructure by establishing the NextGen Future Facilities SPMO.³ SPMO is responsible for planning large-scale facility realignments and consolidations, developing requirements for these facilities, conducting relevant analyses, and coordinating these efforts with the Agency's other modernization programs.

FAA'S REALIGNMENT AND CONSOLIDATION PLAN FOCUSES ON LARGE-SCALE EFFORTS

FAA plans to realign and consolidate its en route centers and TRACONs into large, integrated facilities over the next 2 decades, beginning with facilities managing the New York/New Jersey/Philadelphia airspace. While these initial plans were approved last November, FAA has yet to make several key operational and logistical decisions regarding the first facility, including where to build it. Moreover, FAA has delayed a final approval for constructing the first site until next May, which will impact FAA's consolidation schedule for other locations.

FAA Has Initial Approval for Integrating Facilities in the Northeast

FAA's long-term plan, approved by its Joint Resources Council (JRC) in November 2011, represents considerable progress since our 2008 review, when the Agency's focus was primarily on the short term and on sustaining the existing infrastructure. The plan would divide the NAS into six geographic segments within the contiguous

¹ En route centers guide airplanes flying at high altitudes through large sections of airspace, while TRACONs guide aircraft as they approach or leave airspace within 40 miles of an airport.

² OIG Report No. AV-2009-012, "FAA's Management and Maintenance of Air Traffic Control Facilities," December 15, 2008. OIG correspondence and reports are available on our Web site at <http://www.oig.dot.gov/>.

³ FAA National Policy Order 1110.154, "Establishment of Federal Aviation Administration Next Generation Facilities Special Program Management Office," September 1, 2010.

United States. Under the current plan, work on a new segment would begin every other year, with four to five facilities per segment, and all segments would be completed by 2034. Within each segment, TRACONs and en route centers would be combined into 1 of 2 types of facilities—each of which could house over 1,200 employees—based on operational requirements, airspace responsibility, and geographic location (see attachment 1):

- Integrated Control Facilities—which would provide expanded terminal airspace functions by combining TRACON operations with some en route center operations.
- High-Altitude Control Facilities (“High-Ops”)—which would control high-altitude airspace currently monitored by en route centers, with some facilities monitoring oceanic air traffic.

As part of the initial approval of the overall plan, JRC also approved plans to realign and consolidate facilities starting in the Northeast. This segment will consolidate 45 TRACONs and 4 en route centers stretching from Chicago to New England, New York, and Philadelphia into 4 integrated facilities (see table 1). The plan, with an initial estimated life-cycle cost of \$2.3 billion,⁴ calls for the four integrated facilities to be built with operations transferred from the individual TRACONs by 2023. JRC also allowed SPMO to move forward with a final investment analysis for the first facility—the Liberty Integrated Control—which includes airspace over the New York, New Jersey, and Philadelphia metropolitan areas.

FAA expects these integrated facilities will maximize operations and realize the benefits of airspace redesign initiatives, eliminate artificial airspace boundaries caused by the current air traffic facility network, and improve internal operations. It also anticipates that the new buildings will reduce the number of facilities requiring new equipment or upgrades, avoid the cost of maintaining aging facilities, and facilitate NextGen capabilities.

⁴ This estimate is adjusted for inflation, calculated over a 40-year life-cycle, and includes costs associated with the planning, construction, and equipping of the facilities. It does not include airspace redesign implementation, moving personnel via a permanent change of station, program management, and other indirect costs.

Table 1. Proposed Northeast Integrated Facilities

Proposed Integrated Facility	Current Facilities and Airspace To Be Transferred
Liberty Integrated Control Facility	• TRACONs within the New York Center's airspace, including the New York and Philadelphia TRACONs • Airspace at or below 30,000 feet from the New York Center
Lincoln Integrated Control Facility	• TRACONs within the Chicago Center's airspace, including the Chicago and Milwaukee TRACONs • Airspace at or below 30,000 feet from the Chicago Center
Northeast Integrated Control and High-Ops Facility	• TRACONs within the Boston Center's airspace • Airspace at or below 30,000 feet from the Boston Center. • The facility will be co-located with operations from the New York and Boston Centers that control airspace at or above 31,000 feet, along with oceanic operations.
Great Lakes Integrated Control and High-Ops Facility	• TRACONs within the Cleveland Center's airspace, including the Pittsburgh, Cleveland, and Detroit TRACONs • Airspace at or below 30,000 feet from the Cleveland Center. • The facility will be co-located with operations from the Chicago and Cleveland Centers that control airspace at or above 31,000 feet.

Source: FAA

Note: The names of the facilities are notional and do not indicate where FAA plans to build these facilities. Attachment 2 lists TRACONs and en route centers that could be transferred to each of the four integrated facilities.

FAA's Decisions Regarding the First Site Have Been Delayed

FAA has pushed its decision to approve construction for the first facility from November 2012 to May 2013. This is primarily due to delays in selecting a site for the facility and tight funding limits called for in its recently passed reauthorization. FAA officials noted that the delay will affect FAA's schedule for consolidating other locations within the first segment, though the impact has not yet been determined. FAA's decision involves determining complex operational, logistical, and workforce aspects of the consolidation, including the following:

- the facility's airspace boundaries and total operating positions
- the size of the building
- the total number of controllers, technicians, and other employees working at the facility
- the automation and other equipment to be installed
- transition schedules for existing facilities to move to the new building
- workforce-related issues

FAA officials stated that plans for future projects could change based on experiences with the first locations. These adjustments may include changing the number and size of integrated facilities built or constructing two buildings on one site to allow for differences in operations.

FAA FACES KEY TECHNICAL, FINANCIAL, AND WORKFORCE CHALLENGES IN EXECUTING ITS PLAN

Successfully implementing FAA's plans for large-scale realignments and consolidations—and avoiding future risks—will require the Agency to address a number of challenges. These include aligning approved construction projects with its consolidation plan; making key decisions related to automation platforms, airspace redesign efforts, and other technical factors; finalizing project cost estimates and funding sources; and addressing associated workforce and community issues.

Approved TRACON Construction Projects Have Not Been Aligned With FAA's Large-Scale Plan

While FAA's large-scale plans prompted the Agency to halt all realignment and consolidation activities except one small TRACON consolidation,⁵ the Agency is moving ahead with plans to maintain or replace some of its aging terminal facilities and has not aligned some of these construction projects with its consolidation efforts.

FAA has cancelled plans for consolidating the West Palm Beach TRACON functions into the Miami TRACON and has deferred previously approved TRACON consolidations in Michigan, Ohio, and Illinois until further decisions are made.⁶ FAA also has no plans to consolidate any of its en route centers but will focus on sustaining these facilities while it analyzes future consolidations.

However, FAA is moving ahead with plans to construct two new TRACONs in Cleveland, OH, and Kalamazoo, MI, which were approved for construction before FAA approved the large-scale plan. These new facilities overlap with the plans for the Lincoln NE, and Great Lakes integrated facilities and may not be needed if FAA decides to consolidate those TRACONs' functions into larger, integrated facilities.

FAA officials are aware of the potential overlap and expect to make a decision on whether to consolidate the two TRACONs into integrated facilities at a later date. FAA also recently reorganized the SPMO and other Air Traffic Organization facility planning groups under its Air Traffic Control Facilities Directorate. FAA expects this

⁵ The Abilene, TX, TRACON functions could be transferred to the Dallas/Ft. Worth TRACON as early as this October but more likely sometime next year.

⁶ The planned consolidations included combining the Cleveland, Youngstown, Mansfield, Toledo, Akron, and Toledo, OH, TRACON functions to a new TRACON in Cleveland; combining the Muskegon, Lansing, Grand Rapids, and Kalamazoo, MI, TRACON functions into a new TRACON in Kalamazoo; and transferring the Champaign, IL, TRACON functions to the Chicago TRACON.

reorganization will enable it to better coordinate its large-scale efforts with its other facility construction and modernization efforts.

Technical Decisions for the First Integrated Facility Will Impact the Current Modernization Plan

FAA's modernization plans are based on the current facility set-up for en route centers and TRACONs—not consolidated or integrated facilities. According to FAA, the Agency is in the early stages of defining the technical requirements for an integrated facility and making decisions about major acquisitions. These decisions will impact the Agency's future modernization plans and budgets, including NextGen (see table 2). For example, the En Route Automation Modernization (ERAM) program is currently being deployed to 20 en route centers, including locations in the Northeast where the first integrated facilities could be built. However, FAA has not made changes in its Capital Investment Plan, and the full extent of the changes will not be known until FAA solidifies its plans for the integrated facilities.

Table 2. Key Modernization Programs Impacted by Large-Scale Consolidations

Program	Description	Estimated Cost
ERAM	Replace and significantly enhance existing hardware and software at the 20 FAA Centers that manage high-altitude air traffic. ERAM is FAA's key platform for NextGen to process flight data across the NAS.	\$2.1 billion
Terminal Automation Modernization and Replacement (TAMR)	Modernize or replace the displays and processors controllers rely on to manage traffic in the vicinity of airports at over 150 operational sites.	Over \$1 billion from 2012 to 2018
NAS Voice System (NVS)	Control data and voice communications paths that support both terminal and en route operations, along with new NextGen activities. FAA is planning to finalize NVS cost, schedule, and performance parameters by August 2012.	\$120 million from 2012 to 2016
Federal Telecommunication Infrastructure (FTI)	Route data for all of the NextGen programs and FAA initiatives. Without FTI, NVS will be unable to complete its mission as a networked back-up voice communications system.	\$2.4 billion

Source: OIG analysis, based on FAA data

These decisions also require coordination among FAA's various modernization programs from a technical, cost, and schedule standpoint. FAA has begun coordinating these efforts, which includes developing "Portfolio Level Agreements" that define the roles, responsibilities, and critical interdependencies needed to support the transition to integrated facilities, some of which have already been signed. This is a key watch item for Congress given that the integrated facility plan will require cost and schedule changes to several major acquisitions.

FAA's Initial Business Case Does Not Include Key Assumptions Needed To Estimate Costs and Identify Funding Sources

FAA has not finalized the estimated costs to construct, staff, and maintain the first four integrated facilities—a critical element of a long-term effort of this magnitude. As shown in table 3, FAA's initial business case estimated that it will spend \$1.8 billion from fiscal years 2011 through 2017 and a total of \$5.3 billion to construct and maintain the four Northeast facilities over a 40-year life cycle.⁷

Table 3. Initial Cost Estimates for Planned Northeast Facilities (\$ in Millions)

Type of Costs	Fiscal Years 2011 Through 2017	Fiscal Year 2018 and Beyond	Total
Facility Construction and Equipment Costs	\$1,556.9	\$751.2	\$2,308.1
Airspace Redesign, Modernization, Sustainment, and Other Indirect Costs	\$160.2	\$2,424.2	\$2,584.4
Permanent Change of Station Costs	\$35.8	\$303.4	\$339.1
Program PC&B Costs	\$29.8	\$42.1	\$71.9
Total	\$1,782.7	\$3,520.8	\$5,303.5

Source: OIG, based on FAA data. Figures may not add up due to rounding.

However, FAA's initial business case does not include key assumptions to fully estimate the projected costs of integrated facilities. For example, the initial business case is site neutral, assumes no reduction in controller staffing, and does not consider the cost differences of different metropolitan areas when calculating projected costs. FAA anticipates that a more detailed cost and benefit analysis for the first integrated facility will be completed before the investment decision next May.

Another challenge is determining how to pay for the projects in a tight budget environment. When the overall plan was approved last November, FAA estimated that \$2.3 billion was needed to construct and equip the first four integrated facilities.⁸ However, with the funding limits called for in FAA's reauthorization, FAA officials indicated that it is considering alternative financing sources and other acquisition strategies to pay for the projects. These include partnerships with local and other government agencies, public-private partnerships, and using the proposed Federal infrastructure bank.

⁷ This estimate is adjusted for inflation and includes costs for building construction and equipment acquisition; airspace redesign implementation, facility modernization and sustainment, equipment refresh, and other indirect costs; movement of personnel via permanent change of station costs; and the personnel salary and benefit (PC&B) costs for Agency staff tasked with overseeing the four projects.

⁸ In its fiscal year 2013 budget request, FAA is requesting \$225 million for fiscal year 2012 and \$95 million to plan and build the Liberty Integrated Control Facility.

The Impact of Large-Scale Realignments and Consolidations on FAA's Air Traffic Control Workforce Further Complicates FAA's Plan

The success of FAA's plans also depends on how it addresses significant workforce issues. Large-scale realignments and consolidations will require the movement of thousands of employees and their families. Facility consolidations will also require FAA to collectively bargain with its unions. Several potentially contentious issues will be subject to negotiation, such as pay, employee bidding, training, and moving expenses. FAA will be further challenged to ensure that future agreements are cost effective and do not present opportunities for waste or abuse. FAA is working closely with its bargaining units to gain consensus regarding these issues, though formal negotiations have yet to begin.

While national leadership of the National Air Traffic Controllers Association has expressed support for the integrated facility concept, there may be opposition from employees at local facilities. During our visits to the New York Center and New York TRACON, FAA and union officials indicated that they would oppose plans to build an integrated facility outside of Long Island. They stated that many employees would be unlikely to move from the area due to their connections to the area and their spouses' jobs. In addition, FAA management from the New York TRACON estimates that approximately 30 percent of its controller workforce is eligible to retire, and, if forced to move to a facility outside of Long Island, many may opt to retire instead.

Addressing Economic and Infrastructure Impacts on Local Communities Could Create Roadblocks

Realigning and consolidating air traffic facilities will likely have significant economic, infrastructure, and lifestyle impacts on local communities gaining and losing facilities as it involves moving potentially hundreds of employees across state lines. These impacts would be similar to those seen during the Department of Defense's (DOD) Base Realignment and Closure (BRAC) Commission activities. A 2009 study contracted by DOD on the impact that BRAC activities had on local communities in Maryland found that the changes increased demands on local hospitals, police and fire services, and schools and called for plans to address transportation concerns, such as increased traffic on local and state highways.⁹

These impacts may create roadblocks to FAA's consolidation and realignment efforts. As FAA is aware with past consolidations, communities losing their facilities have taken steps to delay or prevent the moves, often based on information obtained from impacted employees and local officials. For example, during the Palm Springs to Southern California TRACON consolidation in 2007, local communities expressed concerns whether the Southern California TRACON had adequate staffing levels to

⁹ "APG Regional Workforce Analysis: Chesapeake Security & Security Corridor," New Economies Strategies and AKRF, Final Report, December 2009.

accommodate an additional 220,000 air traffic operations that were being transferred. These concerns led to the consolidation being delayed by 1 month as local representatives raised these issues with FAA.

LEARNING FROM PAST EFFORTS AND ESTABLISHING METRICS AND OVERSIGHT MECHANISMS WILL BETTER POSITION FAA FOR SUCCESS

Some of FAA's past facility consolidations did not produce expected cost savings and operational benefits. As FAA's current consolidation plan continues to evolve, FAA can take a number of actions that could help it avoid previous pitfalls and better position it for success over the long term. These include developing metrics for measuring the success of its initial consolidations and providing Congress and other stakeholders updated information regarding its efforts and the impacts on FAA's other modernization efforts.

Incorporating Past Lessons Into the Current Plan and Developing Metrics Could Help FAA Mitigate Future Risks

FAA's last major consolidation effort occurred in the 1990s, when the Agency built a series of TRACONs in major metropolitan areas to consolidate and improve air traffic operations. In 2004, FAA completed a study that compared projected costs, schedules, and operational efficiencies of the Atlanta, Northern California, and Potomac Consolidated TRACONs to actual results.¹⁰ The study, along with our interviews with facility personnel, showed that (1) the costs of these consolidations were higher than originally estimated, (2) facility openings were delayed, and (3) operational efficiencies were not achieved (see table 4).

¹⁰ "Evaluation of Large Terminal Radar Approach Control Facilities Consolidation Benefits;" Report # 2003-23; Original Report Date December 31, 2003; Revised April 2004.

Table 4. Cost Increases, Schedule Delays, and Other Impacts of Past Large-Scale Consolidation Efforts

Cost Increases	Schedule Delays	Other Impacts
Atlanta Consolidated TRACON		
Operations and maintenance costs were 53 percent higher than estimated, mostly due to negotiated controller pay increases.	9 months due to the unavailability of the Standard Terminal Automation Replacement System (STARS)	Operational efficiencies were not achieved because (1) controllers transferred from smaller facilities were unable to certify at the consolidated facility and (2) a decision to change the configuration of a proposed runway at Atlanta Hartsfield Airport delayed the runway's completion and invalidated user benefit assumptions made during the original cost-benefit analysis.
Northern California Consolidated TRACON		
Construction costs were 45 percent higher than originally estimated. ATC staffing costs were 28 percent higher due to controller pay increases.	22 months due to the unavailability of STARS and two budget cuts during project construction.	Due to the delay in opening the TRACON, controllers received negotiated pay increases well before actually transferring to the new site and caused FAA to incur close to \$400,000 in reverse commute costs for six controllers who transferred to the new TRACON early and had to commute back to their old facility to work.
Potomac TRACON (Baltimore-Washington DC)		
Construction and equipage costs were 46 percent higher than estimated due to the subsequent inclusion of the Richmond TRACON into the new facility and a change in automation systems. Staffing costs were 24 percent above budget.	7 months due to the inclusion of the Richmond TRACON, requiring an increase to the size of the building, and the unavailability of STARS.	While the consolidation improved operational coordination within the facility, it did not result in extensive airspace redesign, staff reductions, or equalized work between operating sectors. Facility management noted a loss of about 25 percent of the originally anticipated user benefits. The consolidation also resulted in controllers monitoring the Richmond-area airspace, a slower and less complex sector, earning the same pay as controllers monitoring busier, more complex airspace.

Source: FAA

Incorporating lessons from its previous efforts in the current consolidation plan would help FAA achieve a successful outcome—especially since it is facing similar challenges. For example, decisions regarding what automation or equipment will be installed or how ongoing modernization projects will be affected could delay construction of the first integrated site; this occurred at the Northern California Consolidated TRACON due to the unavailability of an automation system.

Developing metrics that measure whether expected operational efficiencies and potential cost savings from the first integrated facility are actually achieved could further help FAA mitigate future risks. Considering that FAA's large-scale plans span a period of 20 years in six segments, measuring the success of early realignments and consolidations will be critical to determine whether the Agency needs to modify plans and expectations for future efforts.

Informing Stakeholders of Cost and Schedule Changes and Risks Would Further Position FAA for Success

As key partners in the Nation's air traffic facility realignment and consolidation, it is critical that FAA provide Congress and other stakeholders with timely, detailed information regarding plans and plan changes, the risks associated with individual sites and the overall plan, and the impact that large-scale realignment and consolidations will have on FAA's other modernization efforts. Such information will allow Congress and the aviation community to determine whether FAA's efforts are on track or if changes to the plan are needed—particularly while FAA is still early in its planning.

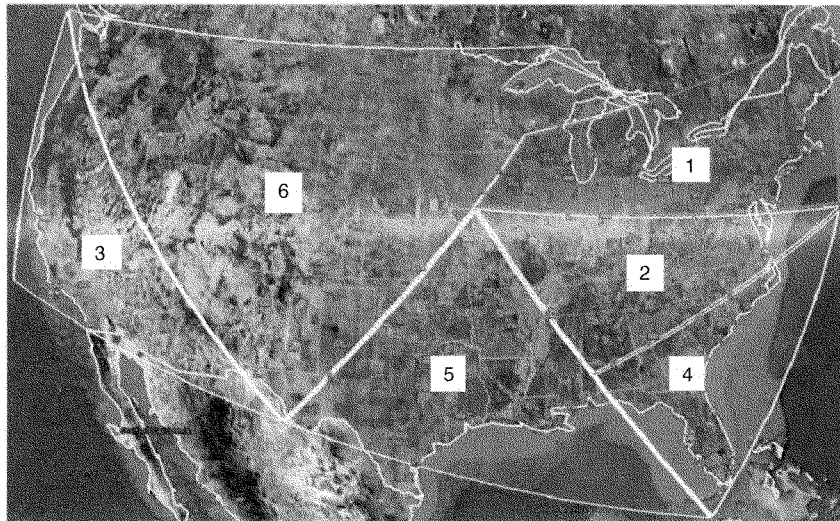
Some key watch items for this Subcommittee in the near term are (1) FAA's decision on where to build the first integrated facility, (2) final cost estimates for the first facility, (3) FAA's metrics for measuring the success of its first facility, and (4) the impact that FAA's large-scale plans will have on its other modernization efforts.

CONCLUSION

FAA's efforts to modernize the NAS are critical for meeting the anticipated demand for air travel. The extent to which FAA realigns and consolidates the Nation's air traffic control facilities will be an important and complex component of these efforts. FAA's plans for large-scale integrated facilities represent significant steps on the path to achieving greater operational efficiencies. However, successfully implementing this plan will require the Agency to address significant challenges and make difficult decisions regarding the cost, schedule, and technical capabilities required for the effort. As FAA's plan evolves, addressing these issues early, including learning from prior consolidation efforts, will better position the Agency to achieve airspace and operational efficiencies, potential cost savings, and the benefits from NextGen.

This concludes my statement. I would be happy to address any questions from the Chairman or Members of the Subcommittee at this time.

**ATTACHMENT 1. FAA'S SIX AIRSPACE SEGMENTS FOR
REALIGNING AND CONSOLIDATING AIR TRAFFIC FACILITIES**



Source: SPMO

- Segment 1: Chicago through New England, New York, and Philadelphia
- Segment 2: Baltimore/Washington, DC to Atlanta and St. Louis
- Segment 3: West Coast from California and Oregon to the Arizona Border
- Segment 4: Southern Atlantic Region Including the Eastern Carolinas, Georgia (South of Atlanta) Through Florida
- Segment 5: Gulf Coast Including Louisiana and Texas, Extending Through Arkansas
- Segment 6: Midwest and Rocky Mountains Extending through Washington State

ATTACHMENT 2. PLANNED SEGMENT 1 INTEGRATED FACILITIES

Component Facilities	Radar Positions	ATC Positions	Certified Controllers	Technicians	Other Staff	Total FTEs
<i>Liberty Integrated Control Facility</i>						
New York En Route Center (partial); New York, Philadelphia, Allentown, Wilkes-Barre, Binghamton, Elmira, Harrisburg, and Reading TRACONs	86	169	625	156	57	838
<i>Lincoln Integrated Control Facility</i>						
Chicago En Route Center (partial); Chicago, Milwaukee, Kalamazoo, Fort Wayne, Grand Rapids, Muskegon, South Bend, Waterloo, Cedar Rapids, Champaign, Quad City, Madison, Peoria, and Rockford TRACONs	99	174	730	208	42	980
<i>Great Lakes Integrated Control and High Ops Facility</i>						
Cleveland and Chicago En Route Centers (partial); Detroit, Cleveland, Flint, Lansing, Saginaw, Mansfield, Toledo, Buffalo, Akron-Canton, Clarksburg, Erie, Pittsburgh, Rochester, and Youngstown TRACONs	123	241	920	224	139	1,283
<i>Northeast Integrated Control and High Ops Facility</i>						
Boston and New York En Route Centers (partial); Boston, Albany, Cape, Yankee, Bangor, Burlington, Providence, Portland, and Syracuse TRACONs	88	201	716	244	67	1,027

Source: FAA

Note: The names of the facilities are notional and do not indicate where FAA plans to build these facilities.

Congressman John Duncan

House Committee on Transportations and Infrastructure

Subcommittee on Aviation

Questions for the Record – May 31, 2012 Hearing

FAA Employee Programs for Cost Savings (For DOT IG)

Question: Is the Office of Inspector General aware of any bonus programs available to FAA employees for ideas that result in cost savings for the Agency?

DOT OIG Response:

No, we are not aware of any bonus programs available to FAA employees specifically for suggesting cost savings measures. The Department does have IdeaHub program, which allows employees to submit ideas that could improve the effectiveness and efficiency of transportation programs.

National Air Traffic Controllers Association
AFL-CIO



Testimony of

Paul M. Rinaldi, President

National Air Traffic Controllers Association

Before the House Transportation and Infrastructure

Subcommittee on Aviation

May 31, 2012

**"A Review of FAA's Efforts to Reduce Costs and Ensure Safety and
Efficiency Through Realignment and Consolidation"**

INTRODUCTION

The National Air Traffic Controllers Association (NATCA) is the exclusive representative of over 15,200 air traffic controllers serving the Federal Aviation Administration (FAA), the Department of Defense (DOD) and the private sector. In addition, NATCA represents FAA's Alaska flight service specialists and approximately 1,200 FAA engineers, 600 traffic management coordinators, 500 aircraft certification professionals, agency operational support staff, regional personnel from FAA's logistics, budget, finance and computer specialist divisions, as well as agency occupational health specialists, nurses and medical program specialists.

All NATCA members are dedicated to ensuring that our National Airspace System (NAS) is the safest and most efficient in the world. In order to maintain that safety and efficiency, our aviation safety professionals work to improve safety procedures, modernize the NAS, and promote new technology. We have professional controllers involved in nearly every modernization and NextGen-related program the FAA is currently working on. Controller skills are put to work every day as they handle an impressive volume of flights – air traffic controllers monitor takeoff and landing for more than 70,000 flights each day, safely moving nearly two million passengers through our skies daily. Air traffic controllers handle these flights in the busiest and most complex air space in the world with roughly 5,000 planes in the sky at any given moment.

With the size and complexity of our airspace in mind, NATCA is committed to a collaborative relationship with the FAA. From the onset, it is important to recognize that the current FAA leadership has made a similar commitment, understanding that fostering cooperation between management and the frontline workforce is imperative throughout the process of the planning, development and implementation of safety and technology programs for the NAS.

One of these key programs is the realignment of facilities and services, which is defined as the consolidation, severing, or reorganization of FAA facilities and services. This may include the relocation of functions, services, or personnel positions, the discontinuation or severance of existing facility functions or services, or the combination of facilities.

REALIGNMENTS AND CONSOLIDATION

It is NATCA's position that realignments should be implemented only when the realignment will enhance operational services, provide continued or improved safety, support and facilitate modernization of the NAS, address and mitigate concerns raised by stakeholders, and is cost-effective. While realignment may play a role in modernizing facilities with NextGen capabilities, realignments and automation upgrades are two separate issues. Realignments should always be driven by safety, efficiency, and infrastructure needs, while technology developments drive automation improvements (automation systems can be housed in any type of building whether they have been realigned or not).

To be clear, NATCA supports facility realignments, but only as part of a comprehensive plan with a clear objective, quantifiable efficiency gains, and a sound business case evaluating each proposal. To date, the majority of the FAA's business cases have not stood up to that scrutiny. For example, in June 2010, the Department of Transportation Inspector General (DOT IG) review of the proposed transfer of the Boise TRACON to the Salt Lake City TRACON found that projected cost savings and efficiency gains in the proposal could not be realized. The DOT IG ultimately determined that the FAA business case was "flawed, lacked transparency, and did not reflect changes in key assumptions or include up-to-date facility-level information." Similarly, an independent third party review of the proposed realignment in Abilene, Texas revealed the Agency's data was also flawed, and that the anticipated cost savings would most likely not be achieved.

NATCA is a proponent of a holistic and strategic approach to realignments that examines the entire system and the operational efficiency of existing and planned airspace. Once that plan exists, the FAA and stakeholders must look at each proposal individually to make sure there is a solid business case for the realignment. Again, realignments must be part of a comprehensive plan and must be accomplished without compromising safety, efficiency or reducing services, and all realignments must be data-driven and not based on supposition or ideology.

The parties have worked collaboratively on some aspects of realignment such as severing TRACON services from a Tower when the TRACON is being considered for consolidation. However, in other cases such as Orlando International Airport and Memphis International Airport, the Agency has simply unilaterally severed Tower and TRACON services creating

two facilities in the place of one. In those cases, the Agency has not provided any quantifiable data to support such actions and NATCA was not involved in a collaborative manner prior to that decision. While NATCA is willing to consider all data, we believe the unilateral severance of tower and TRACON services provides no benefit to the NAS and that there are more viable alternatives to this action such as the structures now being used in Miami, Charlotte and Philadelphia.

Impact of FAA Modernization and Reform Act of 2012: Since passage of the FAA Modernization and Reform Act of 2012 (H.R. 658), NATCA leadership has, on a regular basis, asked the Agency about its plans for realignment, specifically about the report mandated by section 804 of the new law. This report is due June 14, 2012, a date quickly approaching. NATCA's position has been that frontline workforce input is critical, and we wanted to ensure NATCA's inclusion from the early drafting of that report. As the end of May approached, we had not seen any progress on the congressionally mandated report, and we had not been included in any discussions or efforts to produce that report. Since the Committee's announcement of this hearing, there has been some movement: The FAA advised NATCA leadership on May 24th that it would convene a stakeholders meeting on June 5th to discuss plans for realignment. NATCA believes collaborative pre-decisional meetings such as this are a vital component of a comprehensive plan with a clear objective, quantifiable efficiency gains, and a sound business case that evaluates each proposed realignment. NATCA will continue advocating to be actively included as the FAA moves forward on fulfilling its congressional mandates.

LESSONS LEARNED FROM PAST REALIGNMENTS

The May 2012 DOT IG draft report found that the FAA's efforts to consolidate as well as sever (or split) towers from TRACONS have not produced the stated objectives.

NATCA's findings support that statement. Interviews with facility personnel and anecdotal evidence show us that the costs of these consolidations were higher than originally estimated. This may be due to the fact that more personnel are required to staff a severed tower and TRACON than a combined facility. In addition, telecommunication costs associated with realignments often exceed the projected savings. These factors, combined with the fact that

stated operational efficiency objectives are often not achieved, lead to the conclusion that realignments are not inherently beneficial to the NAS.

The following are a few detailed examples from past realignments that must be addressed in the business case for any future realignment proposals:

- **Telecommunication Costs:** The FAA must consider the significant costs of transferring data from one location to another. Federal Tele-Communications Infrastructure. (FTI), the program used for transferring radar and telephone data, is a driving cost factor in both severing and consolidating facilities. The cost of connecting new facilities so they can continue to communicate seamlessly from separate locations increases as the facilities increase in distance. These costs increase again as the radar services from more towers are consolidated to a single TRACON. In other words, a tower located one mile from its TRACON only sends data from radar feeds one mile. A TRACON two hundred miles away must send the radar data two hundred miles, process the data, and send it back to the tower via redundant lines. This means data must be sent four hundred times as far, which is considerably more expensive.
- **Assets Left Behind:** The FAA should not assume that realigning facilities will automatically reduce the size of the NAS. When severing functions from combined facilities, the FAA is actually expanding the NAS because they are creating new facilities with new positions to be filled. Likewise, consolidations may add facilities to the NAS as well – a consolidation or realignment that severs a TRACON from a tower will always leave a stranded asset (the tower) that needs to be supported, maintained, and staffed. Traditional consolidations like these are not like BRAC closings. They only affect the TRACON (the radar function) of the facility, however a control tower remains behind as an FAA asset requiring maintenance and staffing. If that tower was leaking water or structurally unsound, it will continue to be leaking water and structurally unsound even after automation equipment is removed. As far as replacement costs are concerned, the presence of a TRACON has virtually no bearing on how much a new tower costs. This can negate perceived cost savings (according to our data collected during the short term realignment workgroup, cost savings are nominal).

- **Employment Costs:** The FAA has failed to properly calculate the employment and personnel costs associated with realignments. For example, in Orlando, FL (MCO) and Memphis, TN (MEM) where the FAA severed the tower from TRACON, the total cost exceeded FAA estimates. Specifically, the resulting salaries of increased management and staff resulted in more than \$1 million per year increase beyond the cost of the combined facilities.
- **Reduced Services:** At Pueblo CO, (PUB), Palm Springs, CA (PSP) and Beaumont, TX (BPT), where the towers have been severed from the TRACONs, anecdotal evidence suggests that services were reduced, particularly to the General Aviation community. NATCA is not aware of any evaluation that calculated the post-realignment costs, efficiency gains or services provided.
- **Increased Square Footage Costs:** At Abilene (ABI), Boise, ID (BOI) and West Palm Beach, FL (PBI), new facilities were constructed as part of the planned consolidation. While the FAA intended to reduce costs, the new facilities were actually greater in square footage than the facilities they replaced, leaving more square footage to maintain despite the removal of the TRACON. At Abilene, the new facility is larger post-consolidation than pre-consolidation, even without a TRACON (note: Abilene has not yet been completed. Controllers have moved into the tower and base building, but they only have a temporary TRACON to work out of. This old mobile unit is not compatible with new technology (STARS). Instead of facilitating modernization, the move has actually delayed modernization). As previously stated, the presence of a TRACON has virtually no bearing on how much a new air traffic control tower costs.
- **Loss of Training Facilities:** Consolidations and severing of combined facilities also reduce the training grounds for new controllers in the terminal environment. The more consolidations the FAA completes, the fewer small- to medium-size facilities will exist for controllers to learn and train before they move on to more complex facilities. Eliminating those small- and medium-size facilities is like eliminating the minor league system in Major League baseball. While we are not suggesting that the FAA should forego realigning any small facilities for the sake of new controllers, it should be another factor it considers.

- **Efficiency Costs:** Controller cohesion is one potential cost during consolidations – controllers no longer working in the same building simply interact differently. Through personal experience, we know there's an effect from severing TRACON functions from combined facilities, but a quantified study of that effect has never been conducted. Generally speaking, NATCA believes that combined TRACON/towers operate most efficiently because controllers are trained in both arenas, and are answering to managers within their own facility. Ultimately, it is NATCA's position that facilities that are combined seem to function more efficiently than those that are not.
- **Metrics and Follow-Up:** Past realignment efforts have not produced quantifiable benefits to the NAS. In many of these cases, the FAA has not offered post-action follow-up financial data to suggest that they achieved any of the cost-savings or efficiencies that were touted as a reason for those realignments. It is NATCA's position that the FAA always must conduct a post-consolidation analysis to measure the success of these realignments. The DOT IG noted that these metrics are absent from planned realignments. Unfortunately, the FAA does not currently maintain established metrics to determine the success or failure of recent FAA realignments. These endeavors are often controversial in the local community as well as with Congress, and the issues of concern have not been revisited to determine their success or failure. The FAA must conduct a transparent and quantifiable post-realignment analysis as well as produce a real business case for each proposed realignment or consolidation.

In the past, the FAA unilaterally identified and implemented realignments. Those actions did not produce its stated objectives. Moving forward, stakeholders must be involved in each decision to realign facilities under a comprehensive plan. Stakeholders can offer their expertise in, among other things, data analysis, which may or may not lead to the conclusion that realignment is the correct way to proceed, but will always lead to the best outcome for the flying public and the American taxpayer.

FAA-NATCA Workgroup: From 2009 to 2010, a collaborative FAA-NATCA workgroup was formed to jointly analyze eight facility consolidations that were in the “execution phase.” The short-term realignment workgroup developed an agreed-upon process for jointly evaluating realignments. This process included a quantifiable analysis process with scoring for financials, staffing costs and even non-quantifiable “other considerations”, such as the remaining building life cycle, exposure to natural disasters, and facility expandability. Of the eight facilities analyzed:

- The realignment plans for three (Reno, NV, Dayton, OH and Abilene, TX) were recommended to move forward.
- The plans for consolidation of two facilities (Boise, ID and West Palm Beach, FL) were cancelled.
- The remaining three projects (Northern OH, Northern MI and Champaign, IL) were held in abeyance.

The Boise (BOI) and West Palm Beach (PBI) realignments did not go forward after a careful review of the data failed to support realignment. Both proposals were evaluated first by the FAA, then jointly by the FAA and NATCA. The collaborative review of all associated data resulted in a different conclusion than the review without NATCA’s collaboration. In fact, NATCA assessed data that the FAA had not considered. The 2010 DOT IG report confirmed that the FAA’s initial analysis was flawed and lacked supporting data. Because this Workgroup’s collaborative evaluation of the data identified the flaws and lack of supporting data, the FAA did not go forward with Boise or West Palm Beach realignments.

Abilene (ABI) is another example of the Workgroup’s effort at positive collaboration. When the collaborative Workgroup evaluated ABI data, calculated financial and other considerations that are not quantifiable such as local input, they found a reasonable case for consolidation. However, due to NATCA’s continued concern about a lack of credible business case, we repeatedly asked the FAA for an independent review. That independent report determined that the original data was flawed, and not cost effective. Ultimately, the FAA indicated that it intends to proceed on the Abilene realignment despite that independent analysis.

The work of the joint Workgroup demonstrates that realignment efforts can be successful when stakeholders are involved and a well-designed business case is used with measurable goals.

Additionally, as the group reviewed the data, it became clear that the desire to combine or consolidate numerous buildings into one does not automatically mean that improvements will be made to the system or that money will be saved. While NATCA can support realignments where the business case supports it, the review process revealed that fewer facilities, simply for the sake of wanting to consolidate, is not always better or more efficient.

CURRENT FAA EFFORTS - THE FUTURE FACILITIES PROGRAM:

The FAA's stated goal for the Future Facilities Program was to develop a comprehensive plan for realignment. The program was originally initiated as a Special Program Management Office (SPMO) and began work on a segmented plan that was to be data-driven and operations-driven.

In November 2010, NATCA representatives began participating in the Future Facilities Program. Under the SPMO, NATCA representatives received and provided input. The Program gained traction and put together several alternatives the Agency could consider in a comprehensive manner. However, in the fall of 2011, the FAA reorganized the Air Traffic Organization (ATO) and the Future Facilities Program was moved into the Tech Ops Organization of the ATO. Unfortunately, at that point the Future Facilities Program began to lose focus and direction.

Ultimately the Future Facilities plan, as originally developed, was rejected for political and financial reasons. The original plan would have taken a segmented approach to realignment, creating a multi-year process costing hundreds of millions of dollars each year. Instead, the program was directed to abandon the segmented process and narrow their scope to only New York facilities (with plans for a new facility to be built in New York State), leaving the FAA without the desired comprehensive plan for addressing realignments moving forward.

- **Integrated Control Facility (ICF):** The concept put forth by the Future Facilities Program called for the design and construction of an entirely new type of air traffic control facility – an Integrated Control Facility (ICF). ICF was intended to be the NextGen facility of the future, housing elements of En Route as well as Terminal Airspace in a blended operation. Not surprisingly, the construction of a facility of this scale would require coordination with multiple offices and lines of business within the agency – NextGen, En Route, Terminal, TAMR, Voiceswitch, ERAM, etc. To construct such a facility, the Agency needs one individual to oversee the project with the authority to direct work from other offices and lines of business. Without someone in that position, with that level of authority, the project is set up for delays, cost overruns, sub-optimization, and the possibility of outright failure. While the Future Facilities Program does have a program director, that individual has no authority to compel work from other agency offices or lines of business. This lack of authority puts the Future Facilities program in jeopardy.
- **Transparency of Future Facilities Program:** Another primary goal of the Future Facilities Program was to provide transparency and information for all affected employees in order to notify them years in advance of any potential realignment that might affect said employees. In an effort to provide that transparency, the program provided a joint NATCA/FAA briefing to all affected facilities within the first segment of the Future Facilities plan on September 15, 2011 in Philadelphia. During that briefing representatives of NATCA and management were provided details of the plan and asked for input and feedback. It was the stated intent of the Program to establish some means of providing continuous, up to date information for the employees. Yet every attempt by the Future Facilities Program to create such a communications vehicle has been halted by the FAA and ATO. To date, the Future Facilities Program has not been able to pursue a venue for providing information to the affected employees.
- **Engaging with Local Workforce:** While NATCA leadership has tried to take a collaborative approach on realignment, the FAA's lack of a comprehensive plan has

made it difficult for NATCA to work with, or engage locals on the issue. Recently, Agency leadership asked NATCA to collaboratively work on a survey for the New York facility the Future Facilities Program is designing. Surveying the workforce is an essential component in the development of the New York facility, and we applaud the Agency for keeping their commitment to actively involve the workforce in this monumental project.

Additionally, the DOT IG has correctly noted that NATCA leadership is working in good faith with the FAA on the realignment issue. At the same time, the DOT IG notes that local membership does not support the collaborative efforts of NATCA National, regarding the proposed NY Integrated Facility realignment. NATCA believes that the direct dealing with the NATCA members by the DOT IG was improper. It is important to note that NATCA National has not signed off on any plan when it comes to the ICF. As a matter of fact, it was only until recently that NATCA representatives on this project were bound under a non-disclosure agreement (NDA), which prohibited NATCA from discussing specifics of the project – particularly concerning location. We find it unfair that the IG approached NATCA members and broached the subject of a combined facility and possible relocation without properly providing them with any prior information, explanation or status of the project.

At this time, NATCA is concerned that the FAA lacks a comprehensive, consistent plan with repeatable processes moving forward after the New York facility is built. The Agency cannot continue to make patchwork changes to the NAS. The FAA needs a comprehensive plan for addressing realignments within the NAS, whether it is under a revised version of the Future Facilities Program or using some other process. The FAA must work with NATCA to develop an appropriate, comprehensive strategy moving forward.

CONCLUSION

NATCA is committed to collaboratively working with the FAA to ensure the safety and efficiency of the NAS. While it is important to recognize that the current FAA leadership has

made a commitment to collaborative effort in the planning, development and implementation of safety and technology programs, and NATCA has seen the FAA make progress in numerous areas, the following are specific items where NATCA would recommend more movement:

- The FAA must develop, with the inclusion of its frontline workforce and other affected stakeholders, a comprehensive, strategic approach to realignments in the NAS.
- The FAA must develop a holistic and strategic approach to realignments that examines the entire system and the operational efficiency of existing and planned airspace. The NAS cannot be altered as a patchwork of systems that are built independently. Whether it is through the congressionally mandated report or revamping the Future Facilities Program, NATCA stands ready to collaboratively work with the FAA on maintaining and improving the efficiency of the airspace system.
- Once that plan exists, the FAA and stakeholders must look at each proposal individually to make sure there is a solid business case for realignment. Lessons learned from past realignments need to be taken into consideration.
- FAA must establish transparent metrics to determine the success or failure of realignments. The Agency must consistently conduct post-consolidation business analysis using repeatable metrics, and publicly report the outcome of these analyses.

We appreciate the opportunity to appear before the Committee to provide our input on realignment and consolidations. We also welcome opportunities to work with the FAA in a collaborative manner to help fulfill the promises of NextGen and properly address issues to enhance the safety and efficiency of the National Airspace System (NAS).



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Direct Line/Ligne directe : (613) 563-7000

June 1, 2012

The Honorable John Mica
Chairman
House Transportation and Infrastructure Committee
2187 Rayburn House Office Building
Washington, DC 20515

The Honorable Tom Petri
Chairman
House Aviation Subcommittee
2462 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Mica and Petri:

Thank you very much for your continuing interest in NAV CANADA. I regret that I was unable to travel to Washington to testify at the Subcommittee's May 31 hearing. In lieu of oral testimony, I hope this letter describing the NAV CANADA experience with realignment and facility consolidation will be useful to you and Subcommittee members.

First, I would like to provide a brief summary of our organization. NAV CANADA is a private-sector, non-share capital corporation, financed through publicly issued debt, that owns and operates Canada's civil air navigation service (ANS). Marking over 15 years as Canada's civil ANS provider, NAV CANADA provides air traffic control, flight information, weather briefings, aeronautical information services, airport advisory services and electronic aids to navigation. Revenues are derived from NAV CANADA service charges applicable to the airlines and the owners/operators of aircraft, and from technology sales.

The Company is responsible for the provision of services to some 40,000-plus customers in over 18 million square kilometres of airspace. We operate 42 air traffic control towers, seven area control centres, 57 flight service stations, eight flight information centres, 51 community aerodrome radio stations and 34 maintenance centres. (See attached facility map.) The Company provides service to some 12 million air traffic movements per year, making it the second largest ANS provider in the world after the FAA.

Our first priority is safety, and in this area we are among the leaders in our field. Our safety performance is depicted in the second attachment to this letter, which shows continuous improvement in the rate of IFR/IFR losses of separation per 100,000 aircraft movements over time, from over one per 100,000 in 2002 to below .75 at the end of 2011.

Since we began operating the system in 1996 – following its purchase from the Canadian government – we have invested \$1.7 billion under the umbrella of a continuous improvement and modernization program. That process has resulted in a significant expansion of air traffic surveillance especially in Canada's North (see attached map); the upgrading of infrastructure such as towers and area control centres; the replacement of key navigational aids and telecommunications facilities; and the implementation of world-leading air traffic management systems.

This modernization effort, especially in the air traffic management side of the business, has provided a technology platform from which we have successfully marketed air traffic management solutions around the world under the NAVCANatm brand. To date, our NAVCANatm solutions have been implemented in Australia, Denmark, Dubai, Hong Kong, the Netherlands Antilles, the UK, and Sheppard Air Force Base in the U.S.

.../2

While NAV CANADA has focused a great deal of effort on modernization, we have also significantly enhanced service delivery stemming from the implementation of new procedures, systems and technologies. Today there are minimal delays related to the Canadian ANS, and our customers are reaping significant savings from more efficient flight operations, measured in avoided fuel burn and greenhouse gas emissions (see attached graphs).

In lockstep with all of these improvements, NAV CANADA has consistently and aggressively managed system costs including those related to facility duplication, the main subject of this Subcommittee hearing. Over our first 15 years of operating the Canadian ANS, we addressed this challenge in three distinct phases: one, re-baselining the system from 1996 – 2001; two, mitigating the impact of the aviation industry downturn and other negative events that followed the 9/11 attacks; and finally, managing ongoing cost challenges in a slow-growth environment while continuing to modernize, roughly from 2008 to the present.

Re-baselining

When the ANS was transferred to NAV CANADA in 1996, our first order of business was to demonstrate our ability to operate a safe and stable system, while determining the focus of our transformation efforts. By the end of our first year, it was clear that our major priorities were to enhance safety, improve service and invest in the core operation, while reducing the substantial administrative overhead we had inherited from government.

As a result, decisions were made to proceed with the closure of four out of six regional administrative offices in a three-year period. This was combined with de-layering of our management ranks and a centralization of all business functions, with the Company's regions focusing on their role as operating theatres. The two remaining regional offices have since been gradually phased out, with the consolidation of our management into Head Office and in our seven Area Control Centres across the country.

Our public consultations were limited to informing key stakeholders of our intentions, as there was no impact on service delivery stemming from these changes. A great deal of effort was spent communicating with employees throughout this process, providing extensive transitional support and generous departure packages.

Needless to say, these changes yielded non-operational cost savings for the Company in the tens of millions, and accounted for the bulk of our savings as we reduced our headcount from 6,300 to approximately 5,500. More importantly and consistent with our *safety first* commitment, none of these staff reductions involved air traffic controllers. In fact, we actually increased the number of licensed controllers as we dealt with a historical shortage that had been inherited when we purchased the system.

Level of Service Changes

While we proceeded with dispatch on the administrative side of the business, our approach to changing the level of service has from the start been governed by specific requirements in the *Civil Air Navigation Services Commercialization Act*, including requirements for public consultation and for review of the proposals by the safety regulator, Transport Canada.

Based on the requirements of the Act, and of the *Canadian Aviation Regulations*, the Company undertakes Aeronautical Studies to identify and evaluate level of service options, including service increases or decreases or the introduction or termination of services. They also involve further in-depth analysis of safety and operational efficiency issues as well as extensive consultation with customers and stakeholders. (These are explained in detail in the attached Backgrounder.)

Aeronautical Studies consider all relevant factors, including traffic volume, mix and distribution, weather, airport role, airport and airspace configuration, surface activity and the efficiency requirements of operators using the service. The scope of studies can range from minor adjustments to airspace boundaries to an examination of the impacts of replacing an airport control service with another form of service, introducing a new service, or terminating a service completely.

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Northern Services Review

In our early restructuring period, the Company conducted a comprehensive review of northern services – using this Aeronautical Study methodology – in late 1997. The purpose was to determine if NAV CANADA service delivery was in line with the requirements of its northern customers.

Through extensive consultations with some 700 northern individuals, aviation companies and other organizations, numerous issues related to the delivery of air navigation services and concerns about change were identified. These issues focused on weather information, communications coverage and service quality.

The main recommendations of the study were the centralization of Flight Information Services into three facilities – this was later reduced to two facilities; installation of 13 additional Remote Communications Outlets (RCOs); conversion of six Aerodrome Advisory Service sites to Community Aerodrome Radio Stations (CARS); and improvements to aviation weather observation and reporting, including installation of new Automated Weather Observation Systems and Limited Weather Information Systems, as well as expansion of the hours of human weather reporting.

The Flight Information Centre Project

Following the Northern Services Review, the Company made a decision to consolidate the provision of flight information services (weather, flight planning, pilot briefings, and flight information en-route) into six Flight Information Centres or FICs, geographically located across Southern Canada based on service area requirements. The six locations were Kamloops, BC; Edmonton AB; Winnipeg, MB; London, Ontario; Quebec City, QB; and Halifax, NS.

Consultations related to this project were extensive, and included employee briefings and meetings, plus discussions with customers and stakeholders in the affected areas. These were undertaken in many cases even though there was technically no change in the level of service, just a change in the location from which it would be provided. Nevertheless, this proactive approach helped to mitigate negative reactions and build trust, assisting in the successful completion of the project.

Level of Service Review 2004

As a result of the aviation crisis caused by 9/11, and following two Level of Service conferences in 2003, NAV CANADA completed national, regional and site-level consultation on proposals for level of service changes that affected over 130 airports across the country. All of the proposed changes had the goal of matching service with the safety and efficiency requirements of NAV CANADA's customers.

The Service Review resulted in the closure of Contract Weather Offices, the closure or reduction in hours of operation of Flight Service Stations and changes to the provision of Remote Aerodrome Advisory Service as well as decommissioning of ground based navigation aids and LF airways.

Focus since 2008

When the Company was well past its initial re-baselining period, and traffic growth had returned to pre-9/11 levels, senior management implemented a new strategy to limit the growth in headcount, through a seven-year headcount freeze with the emphasis on headcount reductions where consistent with safety and customer efficiency. This strategy affected all groups in the Company.

At the same time, the progress we had been making on modernization began to achieve dividends for us, especially with the national rollout of the Canadian Automated Air Traffic System (CAATS) – our backbone flight data processor now fully functional on a national basis. This milestone, combined with the rollout of other systems such as the revitalized Gander Automated Air Traffic System-Plus (GAATS+) for oceanic air traffic control, has allowed us to further reduce costs due to the automation of manual functions across the system.

Further progress has also been achieved through initiatives such as decentralization of our operational training, ongoing limits on discretionary spending, a flexible approach to staffing based on customer demand, and a culture of cost performance throughout the business, with headcount now at approximately 4,800.

.../4

The Honorable John Mica and The Honorable Tom Petri

June 1, 2012

Summary

In summary, cost control has been a continuing priority, consistent with safety and customer service, and this is reflected in the level of our service charges (see final graph in this package). Despite having to raise rates in the post-9/11 environment to make up for the shortfall in traffic and revenues in 2002-2004, the Company has now gone eight years in a row with no increase – and in fact we reduced charges on two occasions over that time.

In terms of our facilities, since privatization in 1996, we have:

- eliminated regional administrative offices;
- reduced the number of control towers from 44 to 42;
- reduced the total number of flight service stations from 83 to 54;
- consolidated flight information services in Southern Canada to six Flight Information Centres;
- consolidated flight information services in Northern Canada to two Flight Information Centres;
- expanded the use of automated weather observation systems and weather cameras, reducing the need for contract weather offices; and
- continually reduced the number of ground based navigational aids as the use of satellite navigation has expanded.

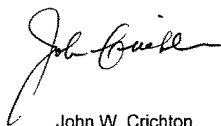
Facility streamlining of the kind being reviewed by this Subcommittee – involving consolidation of TRACON units into ARTCCs, for instance – was NOT a major focus for NAV CANADA because much of this work had been done before 1996. The only exceptions to this were the consolidations of the two remaining standalone Terminal Control Units (roughly equivalent to a TRACON) from Calgary to the Edmonton Area Control Centre and from Ottawa to the Montreal Area Control Centre.

We did study the possibility of consolidating area control centers but did not proceed as there was no business case. The cost of relocating personnel and expanding plant and equipment at a host center did not have a realistic pay back period.

Our experience with the consolidations we did do was that the emphasis of consultation and communications had to be directed to employees. Customers and stakeholders were less of an issue as the level of service was unaffected in each case. In fact, our experience over 15 years has demonstrated to us that quite often the most critical impact with changes such as these is on our people. We have learned never to underestimate the impact of moving employees and their families to distant locations, with all of disruption that entails with regard to living arrangements, housing, schooling, spousal employment and many other factors. We do it when necessary and when a strong business case exists.

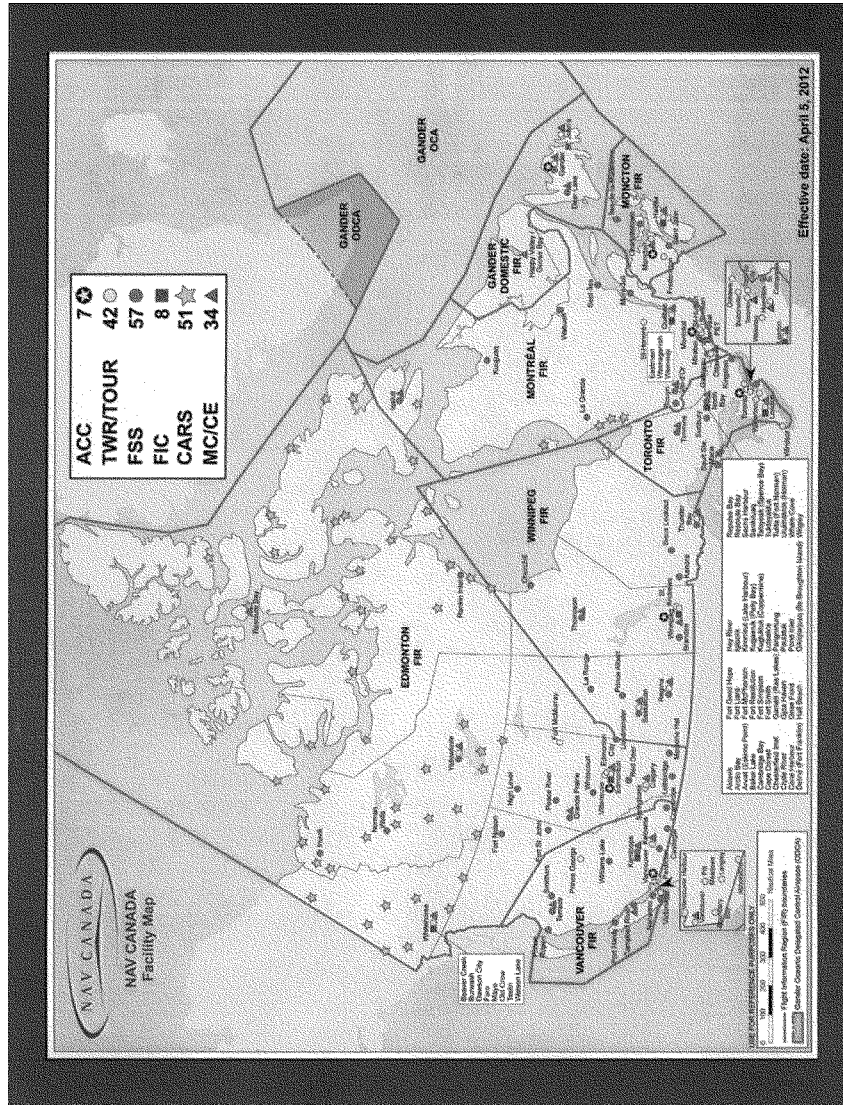
I hope the Subcommittee finds our experience with facility consolidation and realignment to be instructive. If I can elaborate further or provide additional information, I would be pleased to do so.

Sincerely,

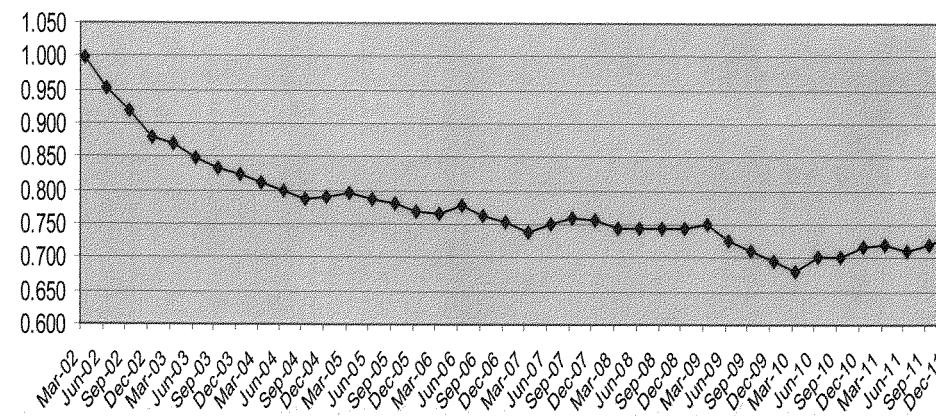


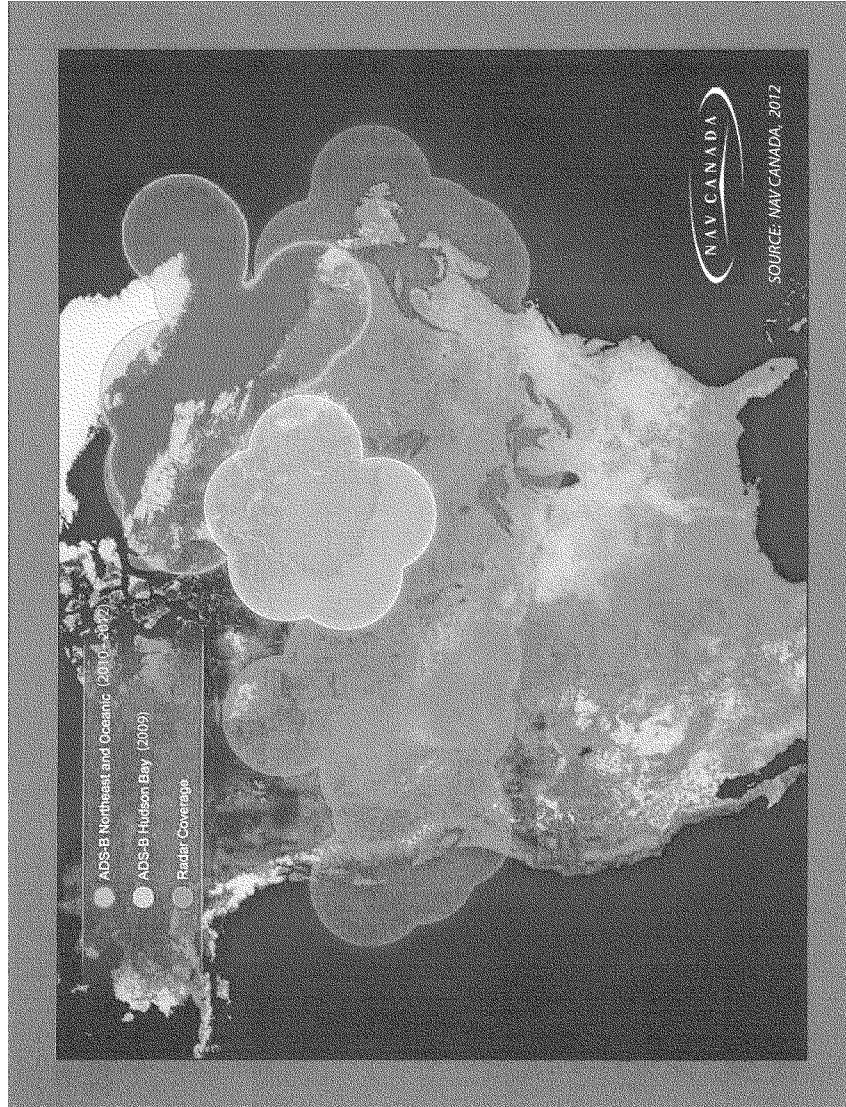
John W. Crichton
President and Chief Executive Officer
NAV CANADA

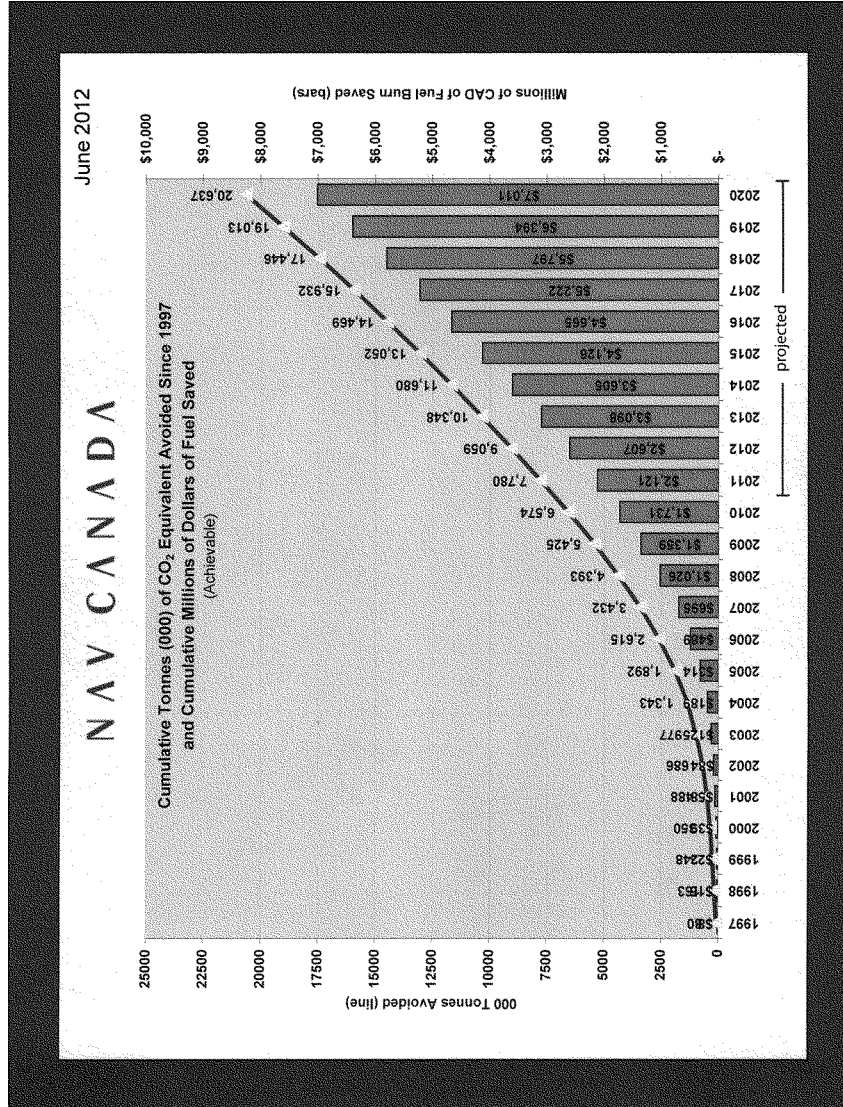
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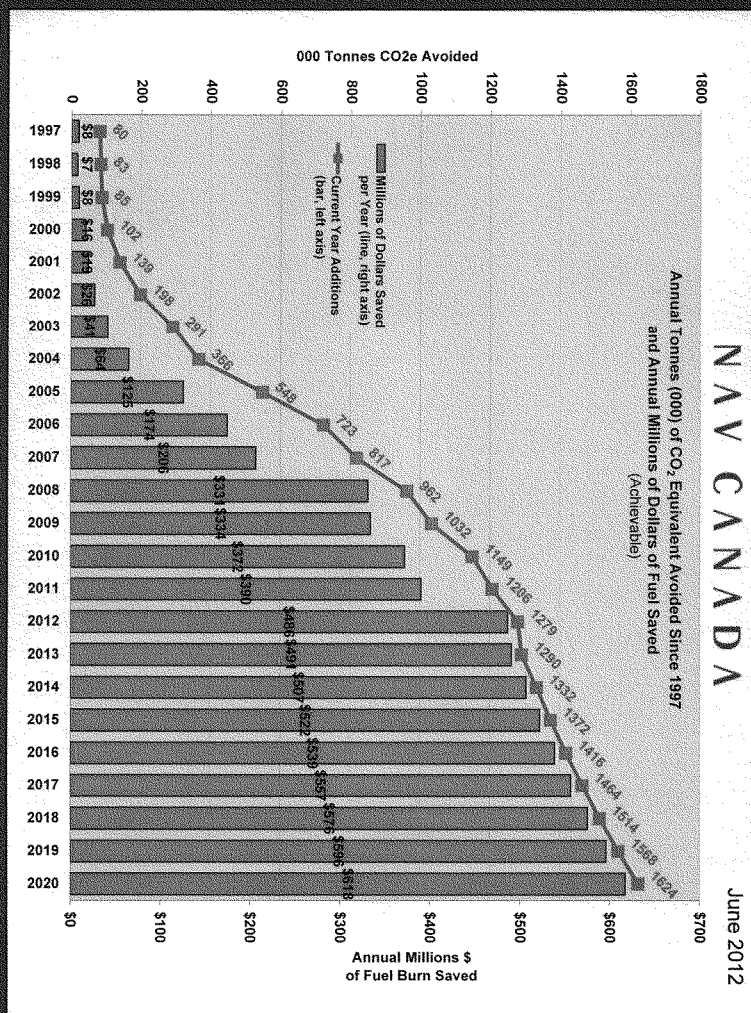


Rate of IFR/IFR losses of separation
per 100,000 aircraft movements (5 year moving average)











BACKGROUND
Reviewing Levels of Service in the Air Navigation System

NAV CANADA's mandate is to provide safe, efficient and cost effective air navigation services. To meet that mandate, the company regularly evaluates the services it provides and determines how best to meet changing industry requirements.

Periodic internal reviews examine operational and safety issues and customer needs to help to define whether a formal change proposal is required. When an internal review demonstrates that a material change in the level of service may be appropriate, an Aeronautical Study is initiated.

NAV CANADA conducts Aeronautical Studies to identify and evaluate level of service options, including service increases or decreases or the introduction or termination of services. They involve further in-depth analysis of safety and operational efficiency issues as well as extensive consultation with customers and stakeholders.

Aeronautical Studies take place every year. They consider all relevant factors, including traffic volume, mix and distribution, weather, airport role, airport and airspace configuration, surface activity and the efficiency requirements of operators using the service. The scope of studies can range from minor adjustments to airspace boundaries to an examination of the impacts of replacing an airport control service with another form of service, introducing a new service, or terminating a service completely.

The Aeronautical Study framework conforms to the internationally accepted Canadian Standards Association Standard Q850: Risk Management-Guidelines for Decision-makers. It is a comprehensive framework that involves full consultation with those affected by changes to air navigation services. In accordance with the framework, NAV CANADA makes every effort to ensure full stakeholder participation in these studies. It is important for the company to fully understand all potential effects of a proposed change on those who use the services.

Consultation with stakeholders formally occurs following the preliminary analysis phase – when issues and impacts of a proposed service change are reviewed. However stakeholders may share their views and concerns at any time during a study. Consultation helps confirm or disprove assumptions made during the preliminary analysis and validates customer issues. The service proposal can then be altered if warranted.

Official notices are mailed out to identified stakeholders advising them of aeronautical studies. Notices may also be obtained from NAV CANADA through the "Announcements" section of NAV CANADA's web site found on the Internet at www.navcanada.ca

The Aeronautical Study process provides a systematic methodology for analyzing complex issues using a risk management approach. Risk analysis includes the identification of exposures to risk, and the identification and evaluation of alternative strategies for reducing or eliminating losses. Perception and communications issues that affect risk decisions are also fully assessed.

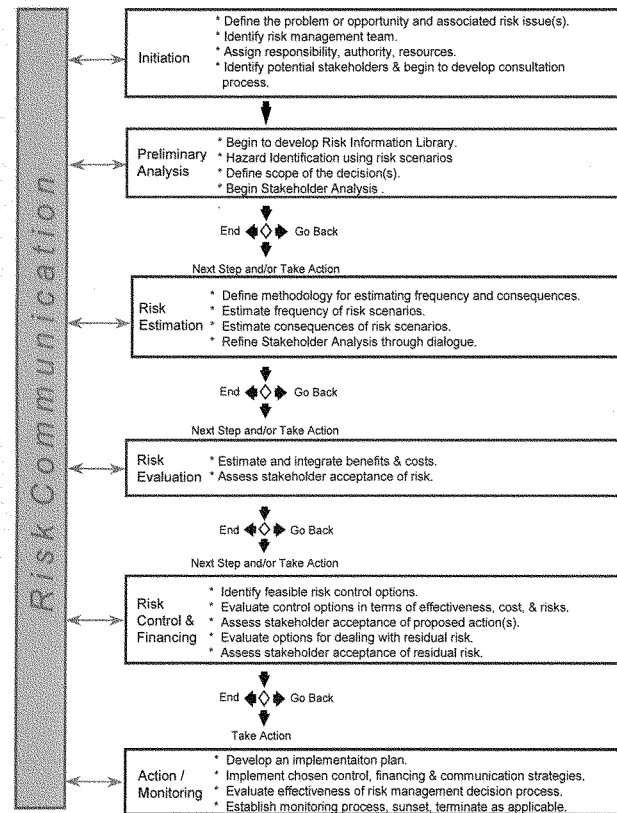
Once an Aeronautical Study is completed, it is forwarded to NAV CANADA senior management and the Board of Directors for approval.

Additionally, NAV CANADA is regulated by the federal government in terms of safety. The Minister of Transport reviews NAV CANADA's Aeronautical Studies as per section 806.02 (2) of the Canadian Aviation Regulations, to assess "whether the risk to aviation safety would be unacceptably increased by a proposed termination or reduction in the level of air navigation service".

Upon completion of an Aeronautical Study, notices of any change in service are published on the company's Internet site. Notices of material reductions in service are also published in regional newspapers.

NAV CANADA

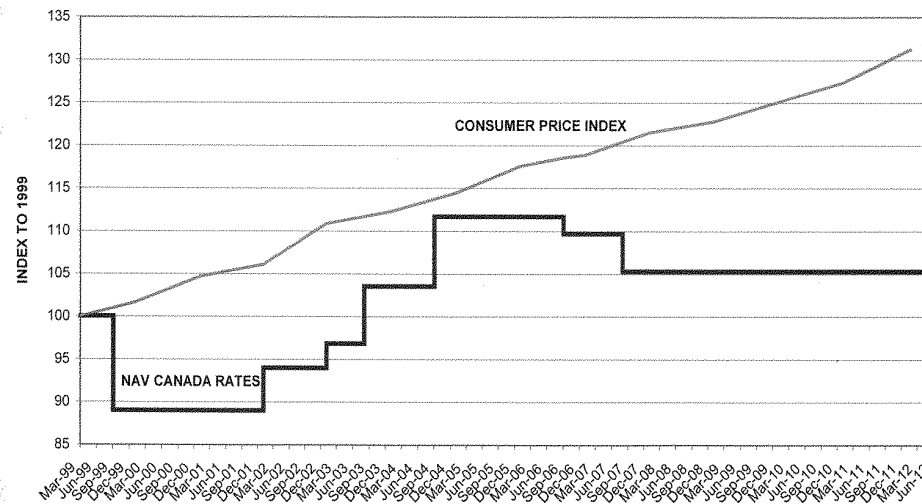
June 2012

Q850 RISK MANAGEMENT DECISION PROCESS

NAV CANADA

June 2012

HISTORY OF NAV CANADA RATE CHANGES⁽¹⁾ VERSUS CONSUMER PRICE INDEX⁽²⁾



1. AVERAGE CHANGES SINCE CHARGES WERE FULLY IMPLEMENTED ON MARCH 1, 1999

2. CONSUMER PRICE INDEX - GROWTH ASSUMED TO BE 2.0 PER CENT FOR 2012