



**REMARKS FOR
THE HONORABLE MARY PETERS
SECRETARY OF TRANSPORTATION**

**FAA FORECAST CONFERENCE
WASHINGTON, D.C.**

**MARCH 10, 2008
NOON**

Thank you, Bobby, for that kind introduction. And thank you all for being here.

Before I begin my remarks on the forecast, I want to address media reports of serious allegations that FAA inspectors knew about safety lapses and yet allowed them to continue.

These stories raise questions about the safety of our aviation system. Let me start by saying that the best way to measure the effectiveness of any safety system is to closely examine the data you have available. And the data we have today tells us that commercial aviation is safer than it has ever been before. Indeed, the most recent data from the National Transportation Safety Board showing that U.S. airlines has point one major accidents for every million hours flown confirms that fact.

Yet as encouraging as the safety data is, these are significant allegations that need to be addressed quickly and thoroughly. We take very seriously any allegation – from within the FAA or outside the agency – that safety may have been compromised.

That is why I have asked Acting FAA Administrator Sturgell and his entire leadership team to get to the bottom of these allegations and find out if there is any merit to them at all. If any inspector failed in his or her responsibilities to the traveling public, they will be dealt with swiftly and severely. There is simply no margin for error when it comes to the safety of our aviation system.

Now, let me turn to the forecast.

At this point in the day, you have heard the numbers. We know the passengers are coming – over 1 billion by 2016.

We know that, by 2025, revenue passenger miles are expected to more than double, increasing by an average of 50 billion a year. That is the equivalent of adding a carrier the size of Northwest to the system every 18

months.

We know that even with a slowing economy and record oil prices, we are looking at passenger growth of 1.5 percent this year.

We also know that our aviation system is straining to handle the two million passengers who already take to the skies on a daily basis.

Last year's congested skies brought a 10 percent spike in delays. In pure numbers, we are talking more than 540,000 flights that did not take off or land on time. That is an all-time record, albeit a rather dubious record.

If you flew in 2007, there was better than a one-in-four chance your flight arrived late. Even more troubling, the severity of the delays flyers faced was unprecedented. Almost 1,600 flights took off more than three hours late. That is up 24 percent from 2006.

As delays have increased, so too have consumer complaints. We heard from over 13,000 unhappy airline customers last year, and most complaints related to flight problems – delays, cancellations, and missed connections.

Americans who lived through one of the worst travel seasons ever in 2007 might look at our forecasts and fear new travel nightmares lie ahead. But I am here to tell you that growth forecasts don't have to mean worsening congestion and lengthening delays for travelers.

I am here to offer a different forecast.

We can look forward to dependable flight schedules and on-time departures and arrivals.

We can put an end to the added emissions, wasted fuel, and passenger headaches that come from lengthy waits on the tarmac.

And we can have an aviation system that safely handles the growing numbers of passengers who want to fly across the country and around the world.

Key to this forecast is unleashing the power of the market to better allocate capacity and steer investment.

Pricing is the quickest and most effective approach to help spread flights throughout the day and alleviate congestion at peak hours.

It can generate new revenues that airports can use to expand and accommodate the forecasted passenger growth.

And properly pricing air traffic services to costs can help ensure the most efficient use of existing airports, airfields, and airspace and provide the surest path to expand capacity and put desperately needed technology in place.

There is nothing exotic about this approach. Phone and electric companies balance supply and demand by adjusting their rates during peak usage hours. It is the concept that led to free "nights and weekends" from cellular providers.

Airlines themselves smooth out peaks and valleys in demand by varying ticket prices by time-of-day and day-of-week. Applying the same concept to the services provided by airports and air traffic control has great potential to make today's broken system more predictable, reliable, and convenient for travelers.

Over a year ago, we sent Congress a comprehensive plan for transforming our aviation system to meet today's – and tomorrow's – demands. A central reform was the overhaul of the FAA's financing structure to provide price incentives for system users to reduce delays and facilitate equipping our aviation system with modern NextGen technology.

Our proposal features provisions to specifically target the most congested regions with market-based mechanisms – such as congestion pricing and auctions – to reduce airport delays and crowded airspace.

I stand ready to work with Congress to help pass an FAA reauthorization bill that is consistent with the Administration's proposed reforms. Gridlocked gates underscore the need for a new way forward – replacing the status quo systems, policies, and taxes that have produced the current congestion crisis.

Making flying a more pleasant experience for air travelers is a top priority for President Bush and for me. Passengers don't have the luxury of waiting on Congress for relief, and we're not waiting either.

We are moving key elements of the satellite-based NextGen system from design to delivery this year.

Bobby spoke earlier of our efforts to accelerate NextGen. And I am announcing today that we have selected Florida as the test-bed for this transformational technology.

The Southeast has a good mix of traffic and a good mix of weather – just the kind of place to put NextGen through the paces. Flying to the home of Tomorrow Land doesn't have to be a lesson in today's traffic tie-ups. By putting the latest technology in our towers instead of the state's theme parks, we're going to make getting to and from Florida a model for the future.

Starting this summer, we are going to roll out NextGen technology at Daytona Beach. In Miami, we will be employing a descent technique that saves fuel, noise, and emissions.

The national debut of ADS-B technology – the backbone of NextGen – also will begin in Florida. Adding ADS-B coverage in the Gulf will allow planes to fly closer together without compromising safety. Today, we have to keep the planes far apart – anywhere from 10 to 15 miles. But with ADS-B, we can reduce that down to 5 miles, freeing up capacity.

NextGen is crucial to our long-term strategy for keeping up with forecasted growth. We have also moved forward aggressively with short-term actions designed to ease congestion and help passengers. These include a series of rules to protect passengers and a new task force focused on helping airlines and airports do a better job of coordinating with each other and taking care of passengers in the event of lengthy ground delays.

We have had success with using military airspace for "Holiday Fast Lanes" at Thanksgiving and Christmas, and are exploring a more permanent mechanism for activating this option to ease back-ups.

Charles Everett is on the job as the acting Aviation Czar for the New York region, the source of so many

delays. He is helping to keep airspace redesign and other operational improvements to reduce congestion and prevent delays on track.

We could do more if Congress enacted the market-based reforms we proposed. But even in the absence of legislation, we are pursuing changes to our policy on landing fees designed to empower airports to take advantage of pricing to encourage more efficient use of their airfields, reduce congestion, and attract additional resources to expand capacity.

We know the aviation market responds to these types of price signals. In 1968, the Port Authority of New York and New Jersey imposed a \$25 minimum charge for peak-hour use of runways at JFK, La Guardia, and Newark airports -- with an almost immediate impact on congestion.

Our proposed policy changes signal congested airports that they can move away from the decades-old practice of charging aircraft landing fees based solely on the weight of the aircraft -- a disincentive for flying larger planes, even when these planes provide the most efficient utilization of the airport.

With this policy in effect, airports would be able to use pricing to spread traffic more evenly throughout the day -- or even among neighboring airports in the same region -- allowing them to serve more passengers, reduce delays, and offer new options.

We are making tools available to bring airports and airlines together to address delays. The alternative is to have the government intervene with the kind of emergency action we were forced to take in the New York region.

Hourly limits on flights out of JFK go into effect later this month.

And today, I am announcing an agreement with the airlines serving Newark Liberty Airport to temporarily cap flights at an average of 83 per hour during the peak periods.

Even with the caps, we are putting market mechanisms in play. As capacity grows at Newark and we are able to add slots, they will be auctioned. This auction approach encourages competition, allows new entrants, and makes sure customers get flights they truly value.

Let me be clear on one other point: We are not requiring service cuts. Airlines will be able to shift their flights to times of the day when Newark has unused capacity. Overall, the caps at Newark allow 30 more operations per day than were offered last summer -- just more reasonably spaced.

I want to thank the airlines for their cooperation in reaching this agreement. Ultimately, however, these are not the kinds of negotiations we prefer to have. But we have an obligation to travelers to do everything in our power to prevent a repeat of the horrors they experienced last summer.

Ideally the problem of congestion would be tackled at the local level. Later this week, I will sit down with the directors of the country's most congested airports to discuss how we can address the problem without the intervention of the federal government. But if airports and airlines cannot manage congestion at the local level, we will have to step in, because congestion in just a few airports cascades across the continent.

I'll give you an example. We had a ten-minute delay for 15 jets approaching Newark one day last year.

Within 20 minutes, another 250 aircraft – some as far west as Chicago – were affected.

And if we remain on our current course – if we refuse to let the market work for passengers – then we are guaranteed more Newarks and JFKs in our future.

I believe there is a better way – a way that will allow us to accommodate the growth while we are modernizing our system without crippling congestion and debilitating delays.

Market-based mechanisms can encourage airlines to spread out their flights more evenly during the day, make better use of neighboring airports, and move the maximum number of passengers on each flight.

The passengers are coming. Let's make sure we are taking full advantage of the most effective tools at our disposal to get them to their destinations smoothly, safely, and on time.

Thank you.

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