21ST CENTURY AIRR ACT

THE 21ST CENTURY AVIATION INNOVATION, REFORM, & REAUTHORIZATION ACT

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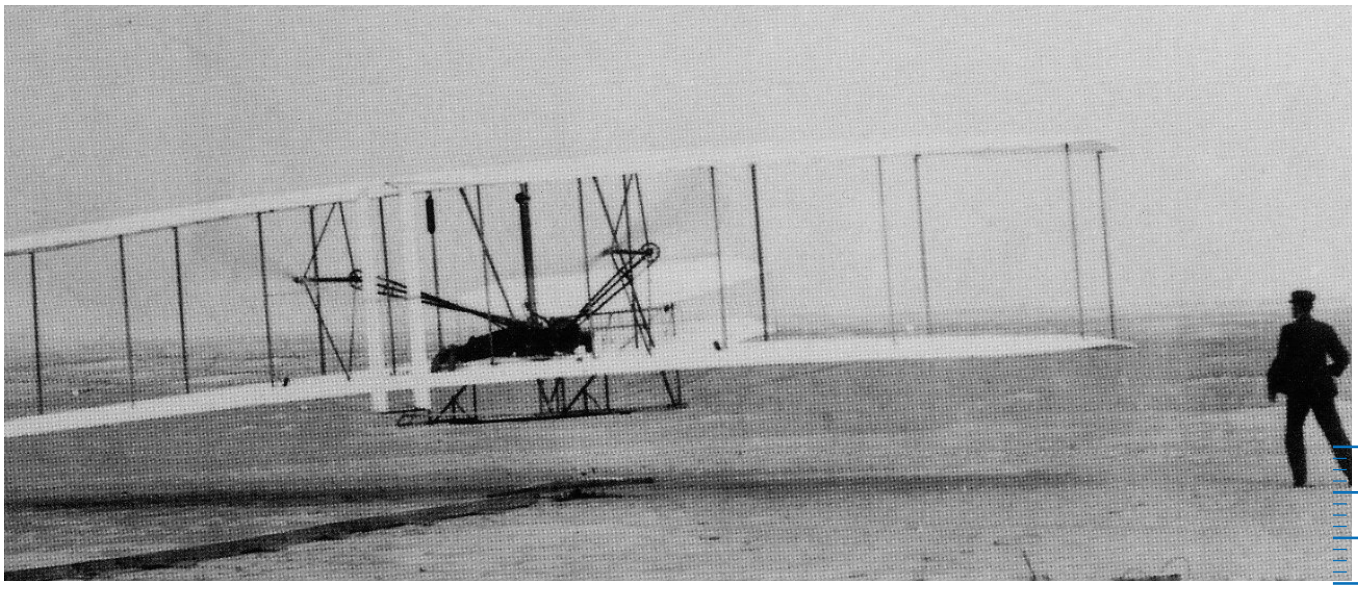

INTRODUCTION: THE 21ST CENTURY AIRR ACT

Putting America First in Aviation

America pioneered modern aviation. Ever since the Wright Brothers first flew at Kitty Hawk, we have led the world in moving people and goods by air. Today, aviation helps drive the U.S. economy, accounting for millions of American jobs and over 5% of GDP.

Our aviation system is the busiest in the world and continues to grow. But while the system is safe, it is not keeping up with growing demand or developments in technology.

We have an antiquated, inefficient air traffic control system. Bureaucracy hinders our manufacturers' ability to compete and threatens to drive jobs in new technologies – like drones – overseas. And Americans are growing weary of delays and hassles associated with flying.

America, the world leader in aviation for over a century, deserves better.

It's time to put American jobs, American innovation, and the traveling public first.

That's the goal of the 21st Century AIRR Act. This bill will:

- Cut Washington red tape so that our manufacturers can get products to market on time, stay competitive, and continue to employ millions of Americans.
- Encourage American innovation in aviation technologies to promote a stronger American workforce.
- Give the American traveling public a better flight experience.
- Ensure that our airport infrastructure connects businesses and people to the world.
- Ensure access to the aviation system for everyone who depends on it – especially our millions of General Aviation users, and small and rural America.
- Provide Americans with a safe, efficient, modern system that uses 21st century technology to ensure more on-time departures, more direct routes, and less time wasted on the tarmac.

THE NEED FOR AIR TRAFFIC CONTROL REFORM

Despite billions and billions of taxpayer dollars spent trying to modernize the Nation's air traffic control (ATC) system over the last 30 years, the system still utilizes World War II-era radar technology, and our air traffic controllers manage the movement of planes by manually handing off paper strips from controller to controller.

The Government Accountability Office (GAO), the Department of Transportation Inspector General (DOT IG), and others have extensively chronicled the FAA's difficulties implementing the most recent modernization effort: "NextGen." NextGen alone, which is nothing more than a marketing name used by the Federal Aviation Administration (FAA) to keep Congress funding failing modernization projects, has cost well over $7 billion to date, but taxpayers and system users have realized few benefits.

The DOT IG has warned that, if FAA actually delivers what it initially proposed, NextGen costs for government and industry – estimated at $20 billion each – could end up costing as much as $120 billion and take an additional decade. By then the technology will be obsolete.

Increasing passenger levels, expected to reach one billion annually in the next 10 years, will only further burden our antiquated ATC system. Delays and congestion already cost the traveling public and the economy $25 billion a year.

While we drag our feet, other nations are benefitting from safe, more efficient aviation systems and modern technology. The American people deserve the same benefits.

The call for ATC reform is not an indictment of the FAA's dedicated controllers and employees, nor is it a new idea. For instance, the Clinton Administration called for ATC reform two decades ago. But we still face the same problems today and have not been able to change the way we do business, despite multiple targeted FAA reforms.

The problem is a broken governance and financing structure that has changed little since the FAA was created in 1958. The agency is expected to behave like a nimble high-tech service provider, when in reality it is a government bureaucracy of 46,000 employees.

Congress shares the blame. Years of short-term reauthorizations (the last long-term FAA reauthorization took five years and 23 short-term extensions to complete), political interference and budget uncertainty cannot sustain a multi-year, multi-billion dollar technology modernization program. Political and budget uncertainty cannot drive what is a purely technology-driven communications service.

The bottom line is, after three decades of fruitless modernization attempts, billions of taxpayer dollars spent, and inherent funding instability, it is time to recognize we need to change the way we do business in Washington and pass transformational ATC reform.

SOLUTION: INDEPENDENT, NOT-FOR-PROFIT ATC SERVICE

The 21st Century AIRR Act establishes a federally-chartered, fully independent, not-for-profit corporation to operate and modernize our Nation's air traffic control (ATC) services. This will ensure a safe, efficient, modern aviation system for America's future.

The bill separates the ATC service operator from the regulating agency (FAA), freeing it from the government's inherent bureaucratic inertia, Washington politics, and funding uncertainty. The service provider will run like a business, something the FAA has been unable to do despite numerous reforms by Congress, and will have the freedom to innovate and create efficiencies in ways that are impossible within a federal bureaucracy.

The new ATC service provider will:

- Be set up as a business with a CEO that is answerable to a Board of Directors nominated by a diverse cross-section of the aviation system's stakeholders and users.
- Have the ability to access the capital markets.
- Be free to make investments and create capital plans to develop and deploy a modern ATC system.
- Be empowered to make decisions based on the realities of the marketplace instead of parochial political interests.
- Have the ability to engage air traffic controllers in a collaborative process to test, evaluate, and deliver safe and efficient technologies.

Our Nation's air traffic controllers will seamlessly transfer to the new service provider over a three-year transition period. Furthermore, the new service provider will receive no federal funding or financial backing of the government. Most importantly, the FAA will remain responsible for the continued safety of the sovereign airspace, regulating the service provider at arm's length as in most other modern countries worldwide.

The 21st Century AIRR ACT:

- Ensures that safety remains the highest priority of our aviation system – separating air traffic services allows the FAA to focus on its safety oversight and regulatory missions.
- Establishes a not-for-profit ATC corporation, with a balanced board of directors nominated by aviation system users and the federal government. The board will have a clear, legal and fiduciary duty to the corporation, with assurances included to prevent conflicts of interest or political interference.
- Creates operating efficiencies that can save the travelling public billions of dollars and prevent the waste of billions more of taxpayers' money on failed federal modernization efforts.
- Separates ATC modernization from the highly inefficient, costly, failed federal procurement system.
- Expedites modernization by providing a stable financing mechanism and enhanced collaboration and involvement of controllers and other stakeholders.
- Prioritizes the avoidance of any adverse effects on safety, the maintenance of the day-to-day delivery of ATC services, and the continuance of modernization during transition to the new service provider.
- Requires any revenues to be reinvested back into the ATC system.
- Transfers ATC federal employees to the new entity, with their existing contracts intact.
- Provides continuity, connectivity, and opportunities for improved service for key sectors of the U.S. aviation system, including general aviation and rural and small communities.
- Upholds the Department of Defense's role and use of air traffic services.
- Ensures the new service provider will cooperate with and support operations by public use aircraft, including those related to Armed Forces, emergency services, law enforcement, and homeland security missions.
- Clearly provides that in times of war, the president will have the authority to transfer a duty, power, activity, or facility of the FAA or the new service provider to the Secretary of Defense.

ATC Reform: Proven Benefits

Over 60 countries – including Canada, Germany, Australia, New Zealand, and the United Kingdom – have now successfully separated ATC from their safety regulator. This is now the international standard. Consistently, where this reform has occurred, **safety has been maintained or improved, technology has been modernized, air traffic services have been improved, and costs have been generally reduced**.

> *Canada's not-for-profit air traffic control operator has seen a 45% reduction in ATC service costs (inflation-adjusted) since ATC reform 20 years ago. (source: Competitive Enterprise Institute)*

Those resistant to reform may worry that the United States has a larger, more complex airspace. However, the greater the volume of air traffic, the greater the potential for enhanced productivity, efficiencies, and savings. The U.S. ATC system is already scaled. It already has more than 500 facilities, more than 14,000 controllers, approximately 6,000 technicians, and over 2,400 managers. America has the talent, energy, and resources to create a unique ATC model that achieves the benefits other nations have experienced in a uniquely American fashion, and on an even greater scale.

The size of America's airspace is a reason to adopt this proven reform – not an excuse to avoid it any longer.

A HISTORICALLY BIPARTISAN IDEA

Air traffic control (ATC) reform is not a new concept, nor is it a partisan proposal.

Many aviation experts have long called for reform. The Clinton-Gore Administration pursued this type of reform in the United States nearly two decades ago.

> *"The fact is, the FAA's 20-year effort to modernize its air traffic control technology simply has not been able to keep pace with either the emergence of new technology or the growth and demand for air travel.... Part of the problem is due to outdated technology.... But a more fundamental problem is also how the FAA operates....*
>
> *"We can continue on the current course and continue to experience crowded airports, flight delays, and even higher passenger frustration. But if we act decisively now to improve our infrastructure, we can ensure that air travel in the 21st century is the safest, most cost effective, most efficient in the world." - President Clinton, 12/7/00*

The George W. Bush administration also proposed ATC reform.

Former Secretaries of Transportation and FAA leaders from the Clinton, Bush, and Obama administration – including all three former heads of the U.S. air traffic control system – support ATC reform.

Reform is not a Republican idea, or a Democratic idea. It's a good idea whose time has come.

STRENGTHENING GENERAL AVIATION

General aviation (GA) is an essential part of our Nation's vibrant and diverse aviation community. The wide array of GA pilots and the aircraft they fly, from weekend hobbyists to small businesses, makes this aviation sector critical to the success of the entire aviation industry and our national economy.

Access to our airspace and use of air traffic control services enables GA to thrive like nowhere else in the world, and this bill guarantees that access. This proposal ensures that GA pilots will have unrestricted access to the airspace and airports. The bill also ensures GA will not be charged user fees by the new air traffic service provider. Furthermore, the legislation gives the GA community a voice in decisions affecting their air traffic service by taking away those decisions from government bureaucrats and ensuring parity in the new structure's governance.

The 21st Century AIRR Act:

- Prohibits any restrictions on access to the airspace for the GA community.
- This bill holds GA harmless. This means that GA operators are exempt from paying a user fee. It is intended that GA operators will continue to pay to support the Airport Improvement Program (AIP), just as they do today.
- Provides that actual users of the aviation system are empowered to make the right decisions for the safe and efficient provision of air traffic control services, rather than Washington bureaucrats who may not have any aviation experience.
- Ensures prominent representation of GA users in the governance structure.
- Cuts red tape in the aviation aircraft and equipment certification processes and addresses inconsistent regulatory oversight by the FAA.
- Reduces regulatory burdens on GA pilots.
- Provides robust Airport Improvement Program (AIP) funding, including additional funds for small airports, to ensure GA airports remain up to date and part of the aviation system.
- Ensures and strengthens safe air transportation and access to the Nation's aviation network for America's rural, remote, and small communities.
- Maintains the Federal Contract Tower Program, which is critical to smaller airports by providing safe air traffic control services in a more cost-effective manner compared to FAA-operated towers.
- Increases air traffic service opportunities for rural, remote, and small communities through modern air traffic control technologies such as remote towers.

PRESERVING ACCESS FOR RURAL AND SMALL COMMUNITIES

Americans in rural and small communities across the country depend on airports and aviation service as economic drivers, and it's often their only long-distance travel option. But these communities have no say in aviation decisions that affect their service. Decisions about adding, maintaining, or cutting air traffic service to their regions are made hundreds of miles away by bureaucrats at the FAA.

During sequestration, for example, one of the first targets for cuts by bureaucrats was the contract tower program, despite the fact that cutting this vital service would disproportionately affect our rural communities.

The 21st Century AIRR Act ensures access to the Nation's aviation network for America's rural, remote, and small communities by finally giving them a voice on issues affecting their communities - a simple but long overdue reform.

Benefits to Small and Rural Communities

- Empowers small and rural communities to make more decisions about their service by providing meaningful community involvement in decisions regarding any airspace changes or tower closures that could impact their communities.
- Eliminates the constant threats that federal budget uncertainty and sequestration pose to small and rural community service by removing the air traffic operator out of the federal government.
- Ensures general aviation (GA) access to the airspace is maintained and prohibits any discrimination to any small or rural area's access to airspace.

Improves Airport Infrastructure

- Robust Airport Improvement Program (AIP) funding, which includes funds for small airports, ensuring these local economic engines remain up to date and connected to the aviation system.

Advances Remote Tower Technology

- Remote air traffic control towers have the potential to revolutionize air traffic services for rural and remote areas, providing availability of tower services in locations which may not otherwise be feasible by dramatically lowering operational and capital costs.
- The bill establishes a new program for testing applications of remote air traffic control tower technology.

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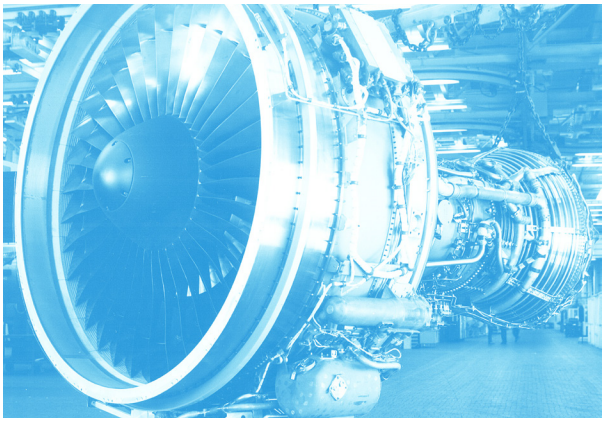
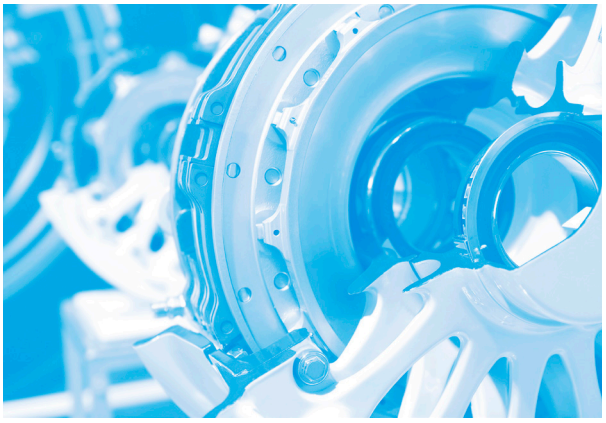
Strengthens the Contract Tower Program

- The Federal Contract Tower Program provides air traffic control services at many rural and remote airports, and the 21st Century AIRR Act maintains ALL contract towers and their current contracts in order to ensure no service disruptions.
- Provides opportunities for more communities to enter the program. New participants will be allowed to demonstrate costs and benefits without waiting on FAA's inaction.
- Removes the current cap on a grant program that provides assistance for contract tower construction, equipment, and technology. This will help rural communities get the assistance that they need to provide the highest level of safety and service.
- Moving forward, any proposed contract tower closure can be challenged by the community, tower owners, private citizens, and Secretary of Transportation, in order to ensure that there is no loss in service or unintended consequences.
- **Currently, a Washington bureaucrat can cancel a contract with only a 30-day notice.**





IMPROVING AMERICA'S COMPETITIVENESS:

STREAMLINING AND REFORMING THE FAA CERTIFICATION PROCESSES

The U.S. aviation manufacturing industry is a critical sector of our economy, contributing billions of dollars and supporting millions of good paying jobs.

All aircraft and aviation products are subject to FAA certification prior to their sale and use. Consequently, the FAA's certification processes have a significant impact on our Nation's ability to manufacture, innovate, market, and operate the most advanced, safest products. Today, as U.S. aviation manufacturers face intensifying competition from manufacturers in other countries, such as China, France, Brazil, and Canada, unnecessary delays in the FAA's certification processes create a significant disadvantage in an increasingly competitive global market.

The FAA bureaucracy and red tape in the certification of aviation technologies not only stifle domestic innovation and undermine our competitiveness, they put American jobs at risk.

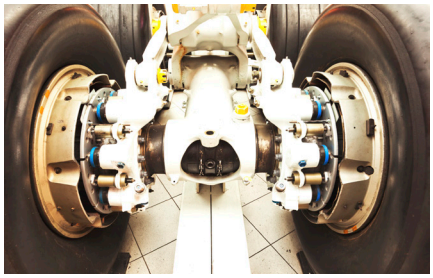
For example, according to a manufacturing association, one company calculated that a delay on a major aircraft certification project costs it approximately $10

million each month of delay. Another stated that it took a charter company that moved an aircraft to a different FAA region five weeks, $25,000 in costs, and $200,000 in forgone revenue to get the aircraft placed on their operating certificate.

While the United States has been the gold standard in global aviation, we are quickly losing our lead. Other countries view their aerospace and aviation manufacturing sectors as economic engines and support them with favorable policies. The FAA must continue to ensure the safety of the system, but the agency's certification processes must become more streamlined than those currently in place. Under the status quo, our lead in the aviation industry will continue to dwindle, and may vanish, just as in other industries we once led during the last century.

The 21st Century AIRR ACT:

- Streamlines the FAA certification process to ensure U.S. companies can compete globally and get their products to market on time.
- Creates a "Safety Oversight and Certification Advisory Committee" (SOCAC).
  - » The SOCAC will closely collaborate with industry to streamline the FAA'S certification and regulatory processes.
  - » The SOCAC will work with American manufacturers to ensure that the FAA can meet the future needs of the aviation industry and allow our manufacturers to remain competitive in the global market place.
  - » The SOCAC will establish clear performance objectives and metrics, and national goals by which Congress and interested parties can better measure the progress of the FAA's streamlining efforts.
- Improves FAA workforce training and development for FAA inspectors and engineers.
- Establishes mechanisms through which manufacturers can benefit from consistent regulatory interpretation among FAA regional offices and headquarters, and resolve disagreements and inconsistencies.
- Enables manufacturers to fully utilize their delegated certification authorities, leveraging their resources and expertise, and allowing the FAA to focus on new and significant technologies, products, and activities.
- Addresses delays in foreign certification of U.S. products abroad and requires the FAA to promote U.S. aerospace standards abroad.



ENHANCING AVIATION SAFETY

The 21st Century AIRR Act will ensure that the United States continues to have the safest aviation system in the world, and includes a number of safety provisions to protect the traveling public.

Today, the Federal Aviation Administration (FAA), the Department of Transportation (DOT), and Congress do not build aircraft or aircraft components, or operate commercial airlines or repair stations. The role of the federal government is to provide robust safety oversight of all aspects of the aviation system, and under the 21st Century AIRR Act, the FAA, DOT, and Congress will continue to oversee and regulate the U.S. aviation system – including for safety.

In fact, by separating air traffic control from the federal safety regulator, the legislation follows International Civil Aviation Organization (ICAO) standards and refocuses the FAA on its vital safety mission.

The bill also contains additional provisions to address recent and emerging safety concerns.

The 21st Century AIRR Act:

- Refocuses the FAA on its safety mission.
- Ensures the FAA safety workforce is utilized efficiently.
- Enhances FAA safety workforce training.
- Strengthens voluntary safety reporting programs for pilots – the Aviation Safety Action Program (ASAP).
    - » Requires automatic acceptance of ASAP reports into the program until a special committee can meet and review the reports.
    - » Voluntary safety reporting programs are important collaborative safety tools, but currently, weeks may pass between special committee meetings to review ASAP reports, and therefore the implementation of important safety enhancements may be needlessly delayed.
- Addresses alternative methods of tracking aircraft over oceans.
    - » Directs the FAA to work with ICAO and other countries on developing standards to improve the tracking of aircraft.
    - » Requires the FAA to initiate a study of aircraft data access and retrieval technologies to determine if the technologies provide improved access and retrieval of aircraft data and cockpit voice recordings in the event of an aircraft accident.
- Strengthens general aviation (GA) safety by streamlining the approval process for the installation of safety-enhancing technologies on small GA airplanes.
- Directs the FAA, in consultation with the new service provider, to review and update its comprehensive plan to address cybersecurity vulnerabilities to reflect the transfer of operational control of air traffic services to the new service provider.
- Includes a robust and thoughtful approach to address the transportation of lithium batteries by air.
    - » Establishes a Lithium Ion Battery Safety Advisory Committee to foster collaboration between DOT and relevant federal and international agencies to address the packaging, shipping, and development of safety standards for the air transportation of lithium batteries.
    - » Directs the Secretary to issue regulations consistent with international technical instructions banning lithium ion batteries as cargo on passenger aircraft.
    - » Allows DOT to make exceptions for medical device batteries needed in remote areas.
- Provides a mechanism for the Administrator to receive funds for applicants that would go into a fund to hire additional staff, technical experts, and consultants as necessary.
- Establishes a rulemaking committee to review and provide recommendations on pilot rest and duty rules for pilots in part 135 operations.

IMPROVING AIR SERVICE FOR CONSUMERS

It's time to put the American traveling public first. The 21st Century AIRR Act includes provisions to strengthen consumer protection laws and maintains the Department of Transportation's oversight of consumer issues plus the bill will help give Americans a more efficient system that ensures they spend less time sitting on a tarmac or in an airport, and more time at their destinations.

Provisions to improve passenger service in the 21st Century AIRR Act include:

- Prohibits involuntary bumping of passengers once they have already boarded the plane.
- Ensures passengers have a more enjoyable flying experience by prohibiting the use of cell phones and mobile devices for voice communications during commerical flights.
- Ensures airlines are transparent with respect to government-imposed taxes and fees that will be added to the base fare of a ticket, so the consumer knows exactly what they will be paying.

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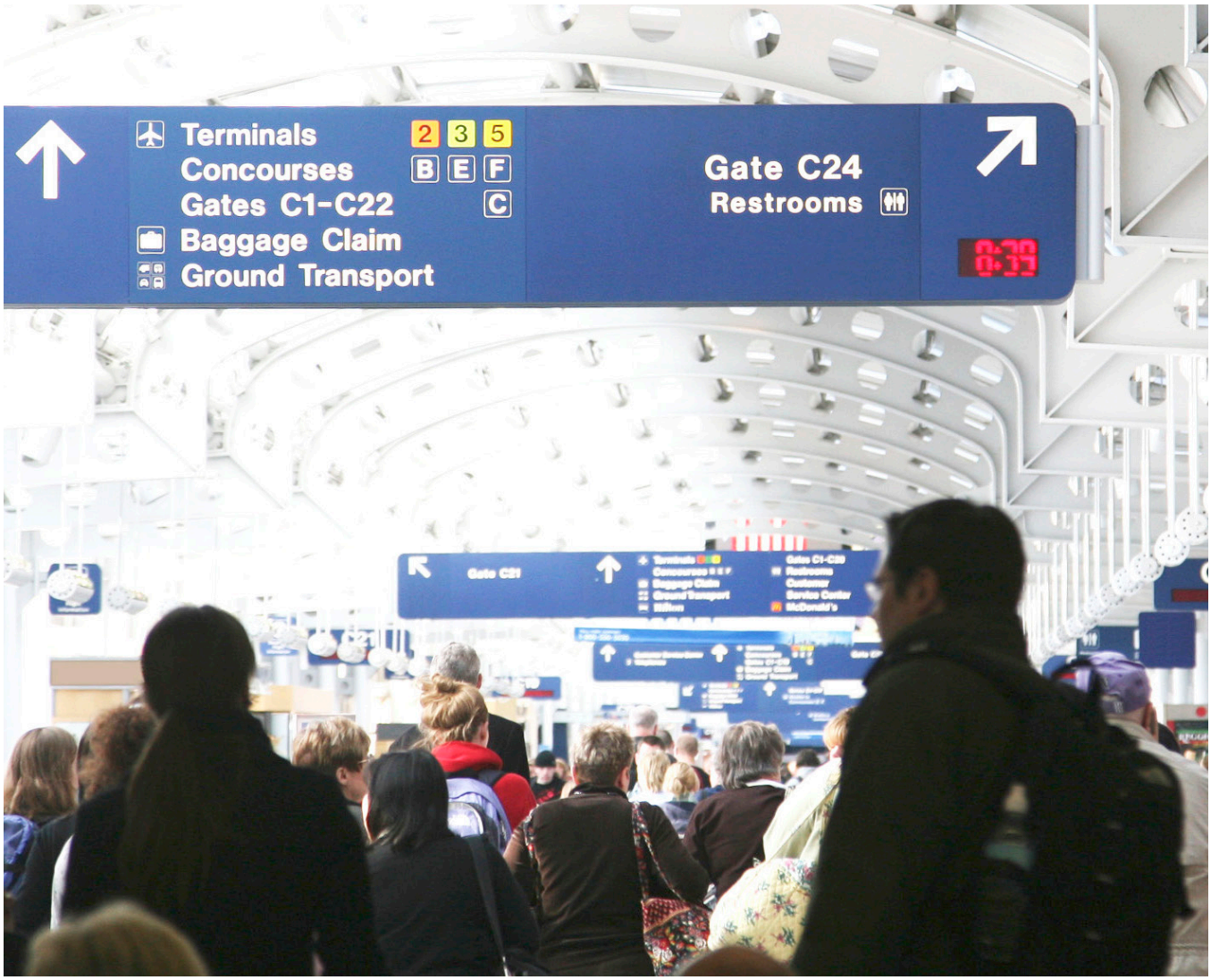
- Ensures consumers can voice complaints through the consumer complaints hot-line and by using new technologies, such as smart phone applications, to facilitate these complaints.
- Requires airlines, in the event of a widespread disruption of their computer systems, to post via a prominent link on their website what services the airline will provide impacted passengers, including hotel accomodations, ground transportation, other airport arrangements, and meal vouchers.
- Takes multiple steps related to aviation consumers with disabilities by reviewing best practices and conducting studies on how to better improve their overall travel experience. For example, the bill:
  - » Orders studies on airport accessibility, airline employee training, and in-cabin wheelchair restraint systems.
  - » Establishes the Select Subcommittee for Aviation Consumers with Disabilities to advise the Secretary and the Advisory Committee for Aviation Consumer Protection on issues related to the air travel needs of passengers with disabilities.
- Requires large and medium commercial airports to provide clean, private rooms in every terminal for nursing mothers.
- Extends the Advisory Committee for Aviation Consumer Protection that was created in the FAA Modernization and Reform Act of 2012 through the end of Fiscal Year 2023.



MODERNIZING AMERICA'S AIRPORT INFRASTRUCTURE

Airports are essential to the aviation system and the 11.3 million jobs and $1.5 trillion in economic activity the system generates. They handle millions of passengers and billions of dollars' worth of cargo across our Nation and around the world every day. They connect our communities, create jobs, and drive economic growth.

With increasing passenger and cargo levels each year, our Nation's airports face significant capital needs.

The 21st Century AIRR Act provides robust funding for the FAA's Airport Improvement Program (AIP), which funds construction of critical infrastructure at airports of all sizes. Continuing the AIP program is essential to the long-term sustainability of airports across the country and the entire National Airspace System.

The bill also recognizes the noise impacts that airports and aviation can have on surrounding communities by including several provisions designed to reduce aircraft noise at airports. Ensuring that airports and the aviation community adequately address the needs of nearby communities and the general public is critical to ensuring continued vitality and growth.

The 21st Century AIRR Act:

- The bill provides robust funding for the Airport Improvement Program (AIP), which issues grants to public use airports for planning and development purposes and is an essential part of maintaining long-term sustainability of airports of all sizes.
- The bill removes unnecessary restrictions on the Passenger Facility Charge allowing airports to more effectively finance projects that improve airport infrastructure and benefit the traveling public.
- The bill streamlines the PFC application process, which increases airport flexibility in financing projects and reduces both airport and administrative costs.
- The bill restores funding for three years to unclassified airports without a classified status in the National Plan of Integrated Airport Systems (NPIAS).
- The bill includes a new subtitle addressing airport noise and environmental issues, two of the largest issues for communities around airports.
- The bill provides the FAA with a number of tools, methods, and strategies to mitigate the impact of airport noise and the communities neighboring airports.
- Among these tools, the bill requires the FAA to study the potential health impacts

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of overflight noise and consider the feasibility of amending existing departure procedures over noise sensitive areas.

- General Aviation (GA) airports are a vital part of aviation. Under this bill, 250 of the smallest GA airports will continue to receive grant funding for an additional three years.
- Under the bill, the critically important Federal Contract Tower Program is continued and reformed to enable new towers to enter the program and updates the FAA's out of date cost benefit analysis for current contract towers.
- The bill creates a remote air traffic control tower pilot program, deploying new advanced technologies in a way that will lower the cost of air traffic control services.
- The bill creates a remote air traffic control tower pilot program, deploying new advanced technologies in a way that will lower the cost of air traffic control services.
- The bill includes a provision that gives the FAA authority to release airports from additional land restrictions without Congressional approval.
- One of the largest improvements from last year's FAA bill for airports in general is the inclusion of a Director on the Board chosen by the airport nomination panel to represent the diverse interests and needs of airports.

SAFELY & EFFICIENTLY INTEGRATING UNMANNED AIRCRAFT SYSTEMS

The United States has long been the global leader in aviation, and the recent development and growth of Unmanned Aircraft Systems (UAS), or drones, represents a tremendous economic opportunity.

According to the FAA, $89 billion will be invested globally in UAS over the next 10 years, and major U.S. companies are leading the innovation in UAS technology. There are many valuable potential UAS applications in real estate, agriculture, infrastructure maintenance, and other areas, with many more on the horizon. But like other new technologies, UAS offer not only new opportunities, but challenges as well. The first and foremost challenge is ensuring their safe integration into the National Airspace System (NAS).

The 21st Century AIRR Act provides additional tools and flexibility for the FAA to safely and responsibly integrate UAS into the aviation system, respond more quickly to technology developments, and foster innovation in this growing and rapidly evolving industry.

The 21st Century AIRR Act:

- Establishes processes to accelerate implementation of low-altitude unmanned aircraft system traffic management (UTM) system.

- Establishes an air carrier certificate for operators of small unmanned aircraft.
- Expedites safe deployment of commercial UAS by creating a risk-based permitting process.
- Fosters development of sense-and-avoid technology at UAS test ranges.
- Establishes a streamlined process for the FAA to permit the operation of small UAS for certain uses.
- Requires a DOT study on the privacy implications of UAS operations.
- Directs the DOT Inspector General to assess the FAA's small UAS registration system and requires FAA to develop and track metrics to assess compliance with and effectiveness of the system.
- Directs the DOT Inspector General to study the potential roles of state and local governments.
- Requires the Comptroller General to study financing options related to regulation and oversight of UAS.

HOUSE TRANSPORTATION COMMITTEE