

STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON AVIATION
HEARING ON
THE FEDERAL AVIATION ADMINISTRATION'S OVERSIGHT OF
OUTSOURCED AIR CARRIER MAINTENANCE
MARCH 29, 2007

- I want to welcome everyone to the hearing on the *Federal Aviation Administration's Oversight of Outsourced Air Carrier Maintenance*. This hearing will be the first in a series of hearings on aviation safety and the Federal Aviation Administration's (FAA) oversight of outsourced maintenance.
- Although the United States has the safest air transportation system in the world, with a fatal accident rate involving passengers of about 1 in every 10 million flights, we must not become complacent about our past success.
- The Department of Transportation Inspector General (DOT IG) lists "Aviation Safety – Performing Oversight that Effectively Utilizes Inspection Resources and Maintains Aviation System Safety" as one of the Department of Transportation's top ten management challenges. Over the last 10 years, a growing trend in the airlines looking to trim costs has resulted in an ever increasing amount of maintenance work being outsourced to both domestic and foreign repair stations.
- The DOT IG will testify today that over the last 10 years, air carriers continued to increase the percentage of costs spent on outsourced maintenance from 37 percent to 62 percent. The DOT IG also notes that more work is being outsourced to foreign repair stations.
- With regard to outsourcing to foreign repair stations, a January 2005 *Wall Street Journal* article states that U.S. carriers pay \$65-\$70 per employee hour, including wages and benefits, while outside repair stations in North America, Europe and Asia pay only \$40-\$50/hour and Latin American repair stations pay as little as \$20 to \$26. As a result, U.S. airlines are relying more heavily on foreign contractors to perform everything from routine maintenance to major overhauls. We must ensure that the FAA has a robust system to oversee maintenance work conducted outside of the U.S.
- According to the FAA, there are approximately 4,231 domestic and 697 foreign FAA-certificated repair stations, with approximately 801 FAA safety inspectors

overseeing them. Both the DOT IG and the Government Accountability Office have expressed concerns about potential attrition in FAA's inspector workforce. It is my understanding that over one-third of FAA's inspector workforce will be eligible to retire by 2010. I am also told that since the end of FY2006, the FAA has already lost 77 inspectors. In addition, I am concerned about the level of staffing in FAA's International Field Offices (IFO), which are responsible for overseeing foreign repair stations. For example, it is my understanding that the Singapore IFO only has seven inspectors to oversee 103 repair facilities.

- It is essential that we make the investments in FAA's workforce now so that they can meet the new challenges for maintaining the highest level of safety in this ever changing aviation environment, including ensuring proper oversight of domestic and foreign repair stations. Last year, the National Research Council reported that FAA lacks staffing standards for inspectors and recommended that the FAA undertake a holistic approach to determine its staffing needs. It is incumbent on the FAA to take this recommendation seriously so that we can have a sufficient number of inspectors in the right places.
- Over the last few years, the DOT IG has made several recommendations with regard to FAA's oversight of foreign and domestic repair stations, suggesting that inspectors focus their oversight on high risk areas. The FAA has since moved to a risk-based system for maintenance oversight, but it is my understanding that full and effective implementation has not yet been achieved.
- In a December 2005 report, the DOT IG found that an increasing amount of scheduled airline maintenance is being performed at non-certificated repair facilities and that the FAA was unaware of the extent of this practice. Non-certificated facilities are not required to meet the same standards, such as quality assurance and training programs, as certificated FAA repair stations. The DOT IG made a recommendation to the FAA that it should consider limiting the type of work that these contractors can perform. I look forward to hearing from both the DOT IG and the FAA on the progress in implementing these recommendations.
- The FAA inspector workforce has also raised concerns about staffing, insufficient funding for travel and the impact on conducting inspections, as well as moving to a risk-based oversight system. Tom Brantley, President of the Professional Airways Systems Specialists (PASS), which represents the FAA safety inspector workforce, is here today to discuss these concerns in greater depth.

- Some have suggested that perhaps moving to some form of standardized maintenance practices might improve safety. Each airline has different standards for maintaining their aircraft, with repair stations required to perform their maintenance work in accordance with each individual air carrier's manual and maintenance program. I would like to obtain the views of the panelists on this suggestion.
- In contrast to the growing maintenance outsourcing trend, Mr. David Campbell from American Airlines, has a unique and commendable story to tell as American performs 100 percent of their own heavy maintenance. In addition, it has actually in-sourced work by obtaining an additional \$175 million in third-party revenue this year.
- In March 2005, a joint team from American's Aircraft Maintenance and Overhaul base in Tulsa, OK announced a "breakthrough" goal to generate \$500 million in value creation, which would turn the maintenance facility base into a profit center. The Tulsa base announced just last month that it had achieved \$501 million, exceeding its goal. American's innovation and cooperation between the airline and its unions demonstrates to us that in-house maintenance works and can be profitable.
- We must provide proper funding, stringent oversight and real standards of accountability to ensure that our aviation system remains the safest in the world. With that, I want to again welcome our witnesses today and I look forward to their testimony.
- **Before I recognize Mr. Petri for his opening statement, I ask unanimous consent to allow 2 weeks for all Members to revise and extend their remarks and to permit the submission of additional statements and materials by Members and witnesses. Without objection, so ordered.**