

TESTIMONY OF ANDREW B. STEINBERG
NOMINEE FOR THE POSITION OF ASSISTANT SECRETARY OF TRANSPORTATION
FOR AVIATION AND INTERNATIONAL AFFAIRS
BEFORE THE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

JUNE 8, 2006

Chairman Stevens, Co-Chairman Inouye, distinguished Members of the Committee, thank you for the opportunity to be considered for the position of Assistant Secretary of Transportation for Aviation and International Affairs. I was honored to be asked earlier this year by President Bush and Secretary Mineta to continue serving the public in this important capacity and if confirmed, I will work hard to earn the confidence of every member of this committee. As I pursue this position, I am also grateful for the support I received over the last three years from FAA Administrator Marion Blakey, and look forward to a close working relationship with the FAA.

I could not be here today without the love, friendship and encouragement of my wife, Roxann, and my two children, Madeline and Malcolm, who are here today and always remind me that public service is a high privilege. I would also like to thank my father, Irwin Steinberg, and my late mother, for encouraging me to seek out such challenges and acknowledge my late father in law, Bob Anderson, for the career he spent as an engineer and lawyer at the Boeing Company.

My own involvement with the airline industry started over twenty years ago when, as a young attorney working on an antitrust case for a major air carrier, I immersed myself into airline economic issues and saw how incredibly fascinating, competitive, and demanding, this industry can be. I later worked in-house for an airline, on a wide variety of commercial, environmental, and employment law issues, became the general counsel of a company providing computerized reservation systems and technology services to travel agents and airlines, and finally worked as a business executive and lawyer at a leading consumer online travel site. As Chief Counsel at the FAA, I have broadened my horizons through the many legal issues affecting aviation safety and capacity and through exposure to aerospace, GA and business aviation. I've been fortunate during my career to work on international business problems, ranging from airline code-sharing, to the formation of overseas joint ventures, and European competition law. Soon after I joined the FAA I helped settle a longstanding dispute with several foreign airlines over the assessment of overflight fees. We agreed to set up a rulemaking committee to assist us in setting the fees and the airlines abandoned years of litigation and began paying fees without protest.

The excitement I feel over the prospect of serving in this new capacity is only enhanced by the opportunity it presents to address the many daunting challenges this country faces not only in the aviation sector but also in the growing global marketplace for transportation services. As members of this Committee well know, the purview of the Office of Aviation and International Affairs extends beyond aviation, and includes the development and coordination of international transportation policy involving all modes of transportation. If confirmed, I will focus my energies on three main areas: the state of the domestic air transportation industry; reauthorization of our aviation programs and their role in facilitating the transition from today's ground-based air traffic system to a satellite-based one; and ongoing U.S. leadership in

transportation services and manufacturing to promote safety, open markets, and enhance trade throughout the world. None of these arenas has partisan lines, thus I plan to work closely with all of you to advance the nation's common interests.

Given the vital role air transportation plays in this country, a healthy domestic airline industry always is a national priority. Having been in the midst of a fundamental restructuring for some years, the industry is showing modest signs of recovery. Indeed, the overwhelming losses of network carriers obscure their own dramatic progress in cutting their costs and the fact that smaller sectors of the industry remain reasonably profitable. It is far too early, however, to declare that the industry as a whole is "out of the woods." We should, therefore, remain open to the possibility that the industry faces structural obstacles to long term success. (For example, while much attention has been paid to the role of high fuel prices, other industries such as utilities have similar cost inputs but not the same fate.) Because some of these obstacles may be linked to aviation policy matters, we should be willing to test our underlying policy assumptions and to examine the costs and benefits of the myriad regulatory burdens we impose on airlines (some of which hold over from the CAB). These are not academic issues: an industry that perennially either loses money or makes suboptimal returns cannot, as we are seeing, provide the quality and breadth of service your constituents expect; the financial woes of the network airlines in recent years has meant a decline in service to smaller communities. Indeed, the contrast between passenger and cargo carriers is striking, as the latter remain highly profitable and innovative, producing good value at low prices.

Reauthorization next year provides an occasion to address such long-term issues, and I hope to assist you in identifying the right solutions. I am encouraged by the efforts of the Joint Planning and Development Office to spearhead the adoption of the next generation transportation system (NGATS), which promises the same kind of radical improvements in air travel that the Internet produced for communications. This system is a key part of the Secretary's aggressive plan to reduce transportation congestion. Moreover, by combining increases in airspace capacity created by NGATS, the existing infrastructure of 5000 public use airports (currently underutilized), and the new breed of very light jets, we have a unique opportunity to make air travel much more accessible and affordable for all parts of the country, while facilitating growth in business travel. But this system will not come about unless we find creative, bipartisan solutions to the funding challenges we face, such as greater reliance of public-private partnerships.

We should all be proud of the leading role the United States enjoys in the global market for transportation products and services but also vigilant about protecting that lead. Our aerospace industry today enjoys a positive balance of trade; ensuring that it competes on a level playing field is a high priority. Across all modes of transportation, there will be many opportunities for U.S. companies to provide their expertise in overseas markets still developing a transportation infrastructure, and DOT has a role to play in promoting common technological and safety standards. I hope to build on the successes of the Secretary in opening up transport markets overseas, as we also seek fully liberalized trading arrangements with all our major aviation partners.

In closing, I know there are many tough issues to tackle here. I have reached no conclusions about the right solutions to the problems that exist and promise an open mind and fresh

perspective. Just as importantly, my years in the industry have taught me this: wherever possible we should seek common ground among our stakeholders. This Committee and its expert professional staff have many years of experience and much wisdom to offer me, as we approach these issues. Should I be confirmed, I truly look forward to working together.