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ADMINISTRATOR MARION BLAKEY

SUBJECT: AIRLINE PILOTS AGE RULES

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MR. ZREMSKI: Good afternoon, and welcome to the National Press
Club. My name is Jerry Zremski, and I'm the Washington bureau chief
for the Buffalo News and the president of the National Press Club.
I'd like to welcome our club members who are here today as well as
their guests and our audience on C-SPAN.

We're looking forward to today's speech, and afterwards I will
ask as many questions as possible. Please hold your applause during
the speech so that we have as much time as possible for questions.
For our broadcast audience, I'd like to explain that if you hear
applause, it may be from the guests and the members of the general
public who attend our luncheons, not necessarily from the reporters
who are in the room.

I'd now like to introduce our head table guests and ask them to
stand briefly while their names are called. From your right, James
Carroll, Washington correspondent for The Louisville Courier-Journal;
Frances Fiorino, safety and training editor for Aviation Week and
Space Technology Magazine; Steve Koff, Washington bureau chief for the
Cleveland Plain Dealer; David Field, Americas editor for Airline
Business Magazine, a London-based monthly; Captain John Prater,
president of the Air Line Pilots Association, the union for pilots of

major U.S. carriers and a guest of the speaker; David Hughes, reporter with Aviation Week and Space Technology; Nick Sabatini, the FAA's associate administrator for aviation safety and a guest of the speaker; Angela Greiling Keane of Bloomberg news and the chair of the National Press Club Speakers Committee.

Skipping over our guest for a moment, we have John Hughes, aviation writer for Bloomberg News and the member of the Speakers committee who organized today's lunch; James May, president of the Air Transport Association of America, which represents major U.S. airlines, and a guest of the speaker; Jim Matthews, editor in chief of Aviation Week's Aviation Daily; Lorraine Woellert, correspondent for Business Week; Marilyn Geewax of Cox Newspapers; and Bill Adair, Washington bureau chief of the Saint Petersburg Times and frequent aviation writer. (Applause.)

Five years after 9/11, the skies have never been safer. There are about two fatal accidents for every 10 million take-offs, and our speaker today, Marion Blakey, and her aides worked to help achieve that record. But that's not to say that as head of the Federal Aviation Administration that she's always found the skies to be particularly friendly. In fact, in the past five years, she has faced one difficult issue after another confronting her industry -- confronting the industry that her agency regulates. For example, last year, more than one out of every five airline flights arrived or departed at least 15 minutes late. That was the highest level of flight delays in this country since 2000. Of course, Blakey would be the first to remind you that even she can't control the weather.

She's done plenty, though, since being sworn into office in September 2002. At the time, the airlines were reeling. Four household names of the industry -- United Airlines, Delta Airlines, U.S. Airways and Northwest Airlines -- filed for bankruptcy between 2002 and 2005. As airlines struggled, Blakey said the FAA needed to run more like a business. Last year she imposed a new contract on air traffic controllers, a savings, Blakey says, of \$1.9 billion over five years. Controllers cried foul. They said then and still do that they are overworked and understaffed.

With the end of her five-year term coming this September, Blakey has saved her toughest work for last. She has to figure out how to move air traffic control from a ground-based system of radars to a new satellite system that will fit more planes into the sky, and she has to figure out how to pay for it. The taxes and fees that finance the FAA's \$14 billion annual budget will expire in September. Blakey has to persuade Congress to adopt a new approach. That plan will be controversial as airlines push to have small business jet users pay a greater share of air traffic control costs.

Blakey also has to decide whether the FAA should continue to force airline pilots to retire at the age of 60. Pilots who lost pensions in airline bankruptcies are among those who want to fly to the age of 65. They say they need the money. Some younger pilots who like promotion opportunities want to keep the retirement age as it is. Blakey appointed a panel to help her sort through the issues. The group, calling the retirement debate contentious, didn't recommend a decision either way. Now the decision falls to Blakey. Contentious

as that issue is, though, she would probably say that nothing would be quite so contentious as a thunderstorm over O'Hare at 5 p.m. on a Friday night.

Here to tell us what she's going to do about those thunderstorms and other issues that she might have more control over, I present Marion Blakey. (Applause.)

MS. BLAKEY: Jerry, thank you for that terrific introduction and for making it all sound so easy -- (laughter) -- especially the thunderstorm over O'Hare part. And I do want to thank John as well for organizing this -- nothing like the National Press Club to bring them out. As I look here across the room, I see so many former colleagues, colleagues, reporters I've worked through over -- with over many years, and friends, and I'm delighted to have a chance to talk with the aviation community in this particular forum.

And I bring greetings from Secretary Peters, because we are delighted to have the National Press Club to focus on transportation and on aviation. That's important.

You know, there's a Latin phrase -- *carpe diem* -- that tells us to seize the day. Yeah, it's used a lot, and it really is an admonition to make the most of the moment; be sure that opportunity isn't lost. But sometimes that isn't so easy. First a rough spot or two: When Alexander Graham Bell was trying to sell the telephone, the postal service and Western Union turned him down flat. The Swiss invented the digital watch, only to reject it because it didn't have gears. Texas Instruments and the Japanese, however, felt that maybe the digital watch just might catch on.

Now there are successes, of course, also. On the low-tech end, a fellow by the name of Earle Dickson, a cotton buyer, had the idea to put little pieces of cotton on surgical tape. Yeah. And his employer, Johnson and Johnson, seized the day.

Aviation has had more than its share of those moments. I'd have to say the Wrights, of course, are right at the top of that list. Going from bicycles to wings was a huge leap, but not just in technology. Certainly Burt Rutan would have to be considered someone who didn't let the moment pass because as he sized it up, the timing was right to show that the common man has a place in space. I was there in the Mojave that day when SpaceShipOne did it. And at a significantly lower altitude, Vern Raburn and his Eclipse, Peter Maurer and his Diamond D -- they believe it's time to change point-to-point travel.

Today is another one of those seize-the-day moments for commercial aviation, for the U.S. Department of Transportation, and yes, for the FAA. It's time to close the book on age 60. The retirement age for pilots needs to be raised, so the FAA will propose a new rule to allow pilots to fly until they're 65. This has been a long time in the making -- a couple of months shy of 47 years, in fact, but who's counting? I can say with certainty these days, it feels to me like everybody's counting, and every one of them has my e-mail address. (Laughter.) Amazing.

More than most, though, this is an issue that I think requires a little context, so bear with me while I take you back in history just for a moment. The fact is that even in the 1950s, pilot retirement age was a big bone of contention. When the airlines back in the day were forcing pilots to retire, the union took legal action. Arbitrators ruled for the pilots every single time.

It's still a matter, I think, of genuine debate as to why the government made age 60 the limit. American Airlines at that point prevailed on the FAA in particular for this rule. Perhaps it was the strike that occurred. Maybe it was just a move to get beyond the issue. The man in charge of American at that point was C.R. Smith, and he wrote to Pete Quesada, my predecessor, who was the administrator at the time. He wrote, and I quote, "It appears obvious that there must be some suitable age for retirement." It was February 1959. Less than four months later -- June 27, to be exact -- the Federal Aviation Agency drew a line in the sand and issued a proposed rule titled "Maximum Age Limitations for Pilots." When you're 60, your career as an airline pilot would be over. In what today would be considered warp speed, less than nine months, it became the law of the land.

The basis for the decision was safety -- that the safety of air safety commerce was indeed in the public interest. That's hard to argue. The FAA said that using older pilots was a safety concern; as people age, their skills decline.

That's the history. That's why we're here today. But as I size it up, today is a very different day and age. The issues of experience, harmonization and -- let's face it -- equity all have to be addressed. Since I've come to the agency, one of my big areas of emphasis has been global harmonization. It's a big sky, and unless it's a seamless sky, I think we all lose. If you have rules that directly controvert a principle that's an international principle, especially a rule that becomes increasingly more difficult to defend, it's time for a change.

Let me read to you all from a letter I received about two months ago. This came from a pilot out on the West Coast, and I'm quoting here: "I assert that my skills and experience enhance aviation safety and thus serve the public interest. I have over 26,000 hours without violations and am an FAA-certified check airman on a Boeing 747-400. I hold an ATP, current gold-seal flight instructor, flight engineer; in addition, I have a first class medical certification with no restrictions."

I've got to tell you, on its face he's making the right point. This is the kind of guy you want flying your plane. Yet he's about to time out in our system.

There are two other stories that I think are worth repeating. One in particular you all know: When John Glenn joined the space shuttle crew at age 77, he proved that there's a place in space for experience.

For those of you who remember the Sioux City crash back in 1989, the United captain, Alfred C. Haynes, saved 186 people that day. He

flew a DC-10 that had lost its hydraulics, using a throttle to make the turns. Think about it -- that's somewhat like taking the steering wheel off your car and trying to steer with the gas pedal. At the time Captain Haynes was 59 years old. I'm standing here today to tell you that I think it was a sad day when Captain Haynes turned 60. This rule drew a line in the sand, and aviation lost heroes like Captain Haynes because of it.

So ICAO's move to allow a pilot under 65 to continue to fly was the right thing to do. The Joint Aviation Authorities in Europe already made this step, as well, and in the interest of harmonization, I think it's time for us to do so as well.

The rule we intend to propose will be parallel to the ICAO standard. Either pilot or copilot may fly up to age 65 as long as the other crew member is under age 60. It's our intent that this new rule will apply to pilots who have not yet reached 60 by the time the rule goes into effect.

Why the change? Well, first, medically speaking, there are no scientific studies out there that say, "Don't do this." In fact, I think we'd all agree that medical science is at a place where we're all living longer and healthier, and that includes in the cockpit.

Back in 1955, the average lifespan in the United States was 69-and-a-half. Today it's more than 77. And if there's a group of employees out there that are in better shape than airline pilots, generally speaking, they're not coming to mind. Well, okay, maybe the Bears and the Colts, but short of a few rarified groups, I think pilots can contend with anyone on that front. Plus, there's the added protection of a medical exam every six months that's specifically tailored to aviation conducted by a professional who's specifically trained to address the kind of medical conditions that affect the ability to fly.

Now for the doubters among us, of course there's always the check ride. Every six months these folks are tested by a taskmaster who makes damn sure that the Is are dotted, the Ts are crossed. Our check airmen are the creak of the crop in the pilot community, and their job is to make sure that all pilots are up to the job. Given our safety record, I'd say there's not doubt about it: We're in one of the safety periods in aviation history, and I'd have to say that the pilots and those who check them out are getting it done.

There is a major equity angle to this issue as well. Under our current rules, we have captains older than 60 carrying Americans on foreign carriers originating overseas. They're from countries such as Canada, Israel, Australia, Japan. There are about three dozen countries, in fact, as a whole. They're all coming here, picking up Americans, and then flying them elsewhere. So you've got to ask: It's safe to fly with foreign pilots on our shores, but it's not safe to fly with American pilots? I don't think it makes any sense.

It's not as if we don't have experience, too, here domestically, with U.S. pilots over 60, because in fact we do. Little known fact is that back in 1995, when the agency brought small commuter operators up to the same standards as the majors, what we call one level of safety,

we allowed about 200 pilots over the age of 60 to continue to fly -- grandfathered them in for about four years -- no medical events, no safety events, nothing to show that the group above 60 couldn't fly and fly well.

And now I'd like to turn to what I think is the most compelling reason. Like the pilot on the West Coast who wrote me the letter, the fact of the matter is that there's a heck of a lot of experience behind those captains' stripes, and we shouldn't have to lose it as early as we do these days. I want our older pilots to be around to help younger pilots rising up through the ranks. A pilot can learn a lot by seeing how the experienced vet handles a situation they may have only seen in simulation.

Look, simulators are great. They're great for training, but there's no substitute for real life. Encountering all the weather systems, different mechanical, technical issues -- sometime in combination they bring up very unique challenges. All of that leads to what I call airmanship -- decision-making; the pilot skills that make our system so very good. When you think back over recent years, there have been very few incidents, very few accidents, but almost all that have occurred have been a result of human decision-making.

So with all of this said, a procedural question arises, and I think it's fair to address this one, too. Okay, why don't you just put the new retirement age in place today, right now? After all, there are a lot of pilots out there every month who are timing out, who are going to turn 60 and they want to keep flying.

The answer is simple: We can't, and I don't think it would be the right thing to do. Except in very limited circumstances, such as an urgent safety issue, the Administrative Procedures Act governs, and it requires a notice of proposed rule-making be issued before any final action can be taken. The public, the industry, individual pilots need to all have the opportunity to comment, and we at the FAA have the obligation to listen and consider the data and opposing arguments before we make a final decision. This is how the rule-making process works. It's deliberative and purposeful, and there are a lot more requirements to be met than when Pete Quesada actually made his decision. So it does take time.

When it's something you want right away, I can tell you right now, it's a hurdle. It's been frustrating from my standpoint as well as probably for lots of people in this room. But when it's something over which there is honest debate, it's one of the key ways the strength of the aviation system we have today has been built.

Now, there are strong feelings out there about the retirement age, and it's going to take time. And I want to particularly thank a number of people who've already put a great deal of time into these deliberations. You see, as Jerry alluded to, I did ask for help with this, and I established an aviation rule-making committee back in the fall -- we call it an ARC -- made up of representatives of the airlines, pilot unions, a group of -- that was representing the pilots who are turning 60 and are over 60, and the aero-medical community.

I asked them to review the situation and make recommendations.

And even though they couldn't come to consensus, I thought they produced a very thoughtful report.

So I want to particularly thank the co-chairs: Captain Duane Woerth of ALPA -- Airline Pilots Association. Duane, would you stand. (Applause.) Jim May of the Air Transport Association. Jim. (Applause.) They and their whole committee did yeoman's work and I'm very appreciative of that.

And I must tell you, one reason for announcing our decision to move months before we'll actually be able to put a NPRM out on the street is that I'm going to ask the ARC for a bit more help in collecting data, so that we get the details of this rule as close to right as possible. In that regard, I'm very grateful to the new head of ALPA, Captain John Prater. John, could you stand -- (applause) -- because John has agreed to step in and help finish the job.

And I would really be remiss if I didn't also take note of the fact that Nick Sabatini has been shepherding this along all the way with a number of very able FAA staff who are in this room. So I want to thank them as well. Thank you, Nick.

Now finally, let me just touch on one other matter of global harmonization that I think is worth bringing before you. Recently, the European Union proposed legislation that would make international flights into -- would require that international flights all come into a European emissions trading scheme, without the consent of their governments.

Many countries around the world, including the United States, view this as a unilateral approach that's unworkable and unsustainable under international law. It's directly counter to everything ICAO stands for. It goes against the efforts of ICAO to develop agreed international guidance for use in emissions trading.

And through the European SESAR and our NEXTGEN efforts -- this is all about the next generation system -- we're really thinking to dramatically improve the way we're approaching environmental and efficiency performance in our air traffic and in our aviation system. We're taking advantage of technologies that are out there right now, but we need to advance them -- such as ADSB, RNP and others.

Unilateral moves weaken the foundation for collaboration and they certainly weaken harmonization. Trying to impose a one-size-fits-all solution on a complex issue in a global industry is a recipe failure. And unilateral moves we have to see as a step back. So I'll leave it at that.

Now in closing, with respect to age 60, let me emphasize that I understand that this is an issue that strikes a real chord and elicits very strong emotions on both sides. I read an article in The San Francisco Chronicle -- just earlier this month in fact -- that particularly hit me. I'm going to quote a pilot who was mentioned in the article.

He says, "When I started, the World War II guys were still flying" -- and of course, he's talking about the senior pilots who

were flying in the '60s. He said, "They were chain smokers, drank hard liquor, never exercised." Duane, John, I'm not saying he's right, now. (Laughter.) "Now," he says, "Almost no one does those things, plus we get random alcohol tests. We have to pass rigorous physicals twice a year from doctors who specialize in aviation." As I see it, he's precisely on point.

We're moving forward because this is a change whose time has come. The objections of the past don't cut it anymore. Moving the pilot age up to 65 is the right thing to do. Experience counts. It's an added margin of safety. And at the end of the day, that's what really counts, doesn't it?

Thanks very much. (Applause.)

MR. ZREMSKI: Thank you very much.

We have a lot of questions on the rule 65 and other issues as well.

First of all, what effect will rule 65 have on pensions, retirement funds, airline scheduling, and how have the airlines reacted to this proposal?

MS. BLAKEY: Well, of course, we're making the proposal today so we will look forward to getting those reactions, I'm sure, in full.

I would say this, though: That a number of airlines were represented under ARC in various ways. And I think that is one reason why it's important that we get additional data in, because to the extent that we can take into account operational economic issues that would make it easier, make the transition smoother, we very much want to do this. Different carriers are in different positions, as are different pilot groups. And the specifics there -- as I say, change is not always easy, but we will do our best to work it through so that it is as smooth as possible.

MR. ZREMSKI: Will this change cost the airlines money by forcing them to pay more top-of-the-scale salaries?

MS. BLAKEY: Again, you know, I think the circumstances are different depending upon the airline, because you have a tradeoff here. You have on the one hand, very senior people who are certainly well compensated. On the other end you have people who are experienced that do not require the kind of training ramp up that bringing new people into the airline requires.

So that as this goes forward, I suspect you'll see a fair degree of balance from that standpoint. We don't see this as being costly over the long run. Certainly, though, there are specific transition costs that will be taken into account as we go forward.

MR. ZREMSKI: If you propose a rule to raise the retirement age, won't it take too long for it to be implemented to help many of today's pilots? And if you're proposing this today, how long will it take to get the rule implemented?

MS. BLAKEY: Well, that's a good question and it depends a little bit on the aviation community itself and how far we can get, as I say, in trying to get it close to right at the beginning.

I expect that because of both the process, because we will be writing rules on this point and we really do want to get more data in from the community, now that everyone knows that we're moving forward. I suspect it will be before the end of this year before we have the rule on the street, because there also are processes of review within the administration. And then we'll see how long a comment period the community wants. And it takes months and months after that to do a final rule. So you know, this is, I would say optimistically that this is an 18-month, two-year, possibly longer, process.

MR. ZREMSKI: If the time for change is now, why not issue exemptions or waivers for pilots that are approaching age 60 or who will turn age 60 before the rule takes effect?

MS. BLAKEY: Yeah. And you know, I have to tell you, I mean, a lot of those e-mails I get are from people who are going to turn 60 in the near future. So I am very sympathetic about, you know, the strong feelings they have on their end. The fact is that waivers will be -- would be very difficult to do, because not only do we have to grant a specific request to a specific individual based on their request, but the certificate holder -- the airline in question -- would also have to come forward and make a specific request for a specific individual.

That would be hard. Right now we have 180 requests that have come in recent days because of anticipating that we might be moving on this. And candidly, the FAA -- and I would say it would be difficult for the carriers as well -- to all try to process individual requests. So I do not anticipate that we'll be able to do that.

MR. ZREMSKI: Similarly, would you consider making the age 65 retirement age retroactive to those pilots who've already retired?

MS. BLAKEY: I know this is hard, but no. We do not plan to do that.

Think about it for a moment. People who are already out of the system, who have already gone on. The questions of trying to bring people back in and whether at that point for what would be a very brief period of time, the training, the skills, are they up on the specific equipment, et cetera? I think this would be a very disruptive thing to do, and at the end of the day, I do not expect that this would be a part of a final rule.

MR. ZREMSKI: How do you expect airlines to handle scheduling when pilot could be over the age of 60 and one under?

MS. BLAKEY: You know, one of the things that I'm careful to do is I do my job and I let people who do their job best, such as dispatch, figure those things out. And the operations end of the carriers will have to work closely on this.

Again, we're going to look for specific details in comments about whether there are issues there that the FAA's rule could be helpful

with. We'll see.

MR. ZREMSKI: Do you envision any additional medical scrutiny, such physical or cognitive testing, for pilots who are wanting to work to the age of 65.

MS. BLAKEY: You know, if there's something that makes sense that comes forward in the rule-making process, certainly we would consider it. But I would suggest that a twice-a-year physical done by, again, experts who are looking at this from the standpoint of the aviation environment in the cockpit, is about as much scrutiny as anyone would expect. This is very rigorous as it stands today. And I think at this point that's our expectation -- that we'll go forward with a system that's working well right now.

MR. ZREMSKI: Changing the mandatory retirement age in a short period of time would have a significant impact on airline pay and benefits, not to mention pilot career progression. How long with the transition period be to this new age limit?

MS. BLAKEY: Well, you know, in terms of planning and the way people are looking at this, certainly there is full warning that this is a likelihood from this point on. But in addition to the process of putting a final rule in place with the specifics, it is very likely that there will be a proposed transition period, because after all, you don't just turn a switch one day at the airlines.

So I would suggest, again, we'll look for comment on how long is reasonable, how long would it take -- bearing in mind the competing equities that are involved here.

MR. ZREMSKI: How will the proposed rule affect the current pool of pilots who fly for business aviation and who may be over the age of 60?

MS. BLAKEY: They're able to fly right now. You know, in fact, one of the interesting things that I followed in this is that NetJets has a very large pool of pilots over the age of 60. And we have continued to monitor that situation and look at the data. And again, the data is very positive from the standpoint of the competency of people who are over 60. So I don't anticipate this would do anything but, you know, provide the opportunity to continue to fly in that environment. There may be somewhat fewer pilots who then are moving over into business aviation if they continue to fly for the carriers, but I don't think we see this as having a major impact.

MR. ZREMSKI: What would you have to say to younger pilots who fear they might lose career opportunities because of this change?

MS. BLAKEY: Aviation is a great field and being an airline pilot is, you know, a wonderful profession. I don't think this will discourage them. It will obviously tell younger pilots that they've got a great and longer future than they might have, if they choose to exercise it to its fullest.

I think we have to remember that another concern that we share -- and it's particularly acute internationally -- is that the pipeline of

people going into aviation, into in fact, a lot of fields in the aerospace community broadly -- that pipeline is not as full as we'd like for it to be. In general aviation there are fewer people becoming pilots. We're really actively working with ALPA, with other groups, to try to encourage a lot of people to take up flying.

But there is some concern that if we don't see more coming into this -- because remember, the military is retaining pilots who used to come into the airlines in great numbers. They're retaining them longer. They tend to find that there's a great career in the military and they are, therefore, there a lot longer. And at the same time, as I say, from general aviation and other fields, we're just not getting the same wicking up.

When I mentioned internationally, as I have talked to people in some of the countries which have huge aviation growth and wonderful pilot opportunities -- and I'm referring to India and China -- they have an enormous -- a critical pilot shortage. So this is going to be felt worldwide in aviation as time goes on. I don't there's going to be any doubt that younger pilots are going to find that there are a lot of great career opportunities out there.

MR. ZREMSKI: If retiring at 65 is okay for pilots, why not for FAA controllers?

MS. BLAKEY: Because it's the law of the land that they retire at 56. (Laughter.) Fifty-six is the current age for controllers. That was put in place back in the 1970s. But I will tell you, if there is a move on Congress' part to raise the age for controllers, I think we would be happy to work with them on it.

MR. ZREMSKI: If Congress goes ahead with a continuing resolution, what will be the impact on the FAA budget and on the modernization of the air traffic control system and air traffic controller hiring?

MS. BLAKEY: You know, the CR is something that I have spent a tremendous amount of time recently talking with members of Congress about because the continuing resolution on a four-year basis would make it impossible for the FAA to continue to staff our facilities and cover our oversight responsibilities on the same basis we're doing today.

About 80 percent of our operating budget is personnel and we simply cannot afford the kind of costs that go in any organization. You have health care costs go up. We have a pay raise from last year that is annualized now for this year. We have a pay raise this year. All of those kinds of factors -- cost of living. We cannot, again, cover our responsibilities. And that would mean significant disruption this summer, unless Congress does act to address it.

MR. ZREMSKI: How many air traffic controllers have retired so far in fiscal year '07, and is that what the FAA expected?

MS. BLAKEY: You know, we saw a bit of a bump up above our initial model on the number of controllers retiring last year in 2006. Of course, we did have a situation of the negotiations and dispute

over the contract that is now in place for air traffic controllers. And I think that did cause us to have a larger number retire than we have expected. Back in the fall it was about 25 percent bump up.

However, that is something that we also were able to address, because we have a dynamic hiring system where we have over 2,000 people who are lined up to come into the system who are qualified and ready to go, so that we have no inability not to hire more or less. And last year, we therefore hired more than we had planned. This year we are going to hire more than 1,100. So we will stay ahead of the number of controllers who retire, and we've addressed the change in our model to the point that I don't think we see particularly -- particular differences than what we are planning for and expecting.

But again, that's the reason why we have a dynamic system. And we have a lot of the best and the brightest who want to be one of the world's best jobs in government.

MR. ZREMSKI: According to numerous news accounts, relations between the FAA and the Air Traffic Controllers Union are the worst since the 1981 PATCO strike. What are you doing to address that, and what are the chances of reopening labor talks to come up with a new contract?

MS. BLAKEY: Well, be careful what you read in a few accounts, because I have tremendous respect for spokesmen from the Air Traffic Controllers Union, NATCO, but anecdotal stories don't actually reflect the situation in our facilities and towers where we are well staffed and operations are proceeding smoothly. And if you look at the performance of the system, I don't think anybody doubts it.

I would also say that the new contract is a very fair contract. Not only does it keep financially whole our existing veteran workforce, they took no cuts. In fact, their pay will be going up under the new contract. And remember, this is a highly paid workforce. We're talking about the core compensation with premium pay bringing them in close to \$130,000. So this is great. And when you add on the benefits that go with that beyond it, you're getting up to above \$170,000 to \$186,000 before this contract finishes up in about four-and-a-half years.

But for the new hires, because that is where we reduced the compensation, it's still a great job by anyone's standards. At the end of five years, new controllers coming on board, again, the compensation -- which we're just talking about the take home, what they're going to be able to make in salary and locality pay, is \$96,000. At the end of one year as a new recruit, you're going to be hitting over \$50,000.

Now, we don't have any difficulty bringing people into the system who want to work air traffic, believe me. And there is, therefore, no intent on our part to reopen negotiations or reopen the contract. The contract is in place.

MR. ZREMSKI: We have a bunch of questions here that have just recently been submitted by e-mail from people who are watching on television. And one of them is on our topic, the age 65 rule.

If safety is not in question, why do require that one of the pilots be under the age of 60?

MS. BLAKEY: Because I am a big believer -- and I think most of us in aviation are -- in international harmonization, in having the same standards globally, worldwide. It's very difficult to go from one system to another.

And that is the system that ICAO has put forward. The standards are there, and we think it is reasonable, therefore, to adhere to the international standards, so we'll go forward with that.

MR. ZREMSKI: Okay, moving on to some other topics, when do you expect to send the FAA reauthorization bill to the Hill, and could you give us any kind of a preview of what it'll look like? (Laughter.)

MS. BLAKEY: Moving right along, as they say. (Laughter.)

Well, I'll tell you, this is going to be a major pivot point for aviation, because the new bill that will propose the financing system for what is the next generation aviation system in this country is hugely important and we will be putting the administration's proposal out the middle of this coming month, the middle of February. Some of the aspects of it, in fact, will be in the president's budget, which will come out on the 5th of February, and I think it'll only be a week or two after that before the full proposal will be there.

But it is very important, and something we are pushing very hard to put out, because the taxes and fees that support the current system are expiring on the 30th of September, and that gives a very short window for Congress to act, because one of the reasons why we are proposing a very different system, in addition to the deed to make the kind of capital investments in the next-gen system, is also that right now the trust fund is very puny, as they say. It's going to hit the lowest point ever at the end of this year at about \$1.7 billion. That's enough to keep the FAA running for about two months, so Congress will need to act, and act swiftly.

MR. ZREMSKI: What can you tell us about what the mix of tax and fees is going to be under the reauthorization, and will business jet owners have to pay more than they do now?

MS. BLAKEY: I can't go into specifics on the bill because, honestly, it is still being cleared within the administration and we are still finalizing the details on it. What I can tell you is very critical is that the principle of tying the cost of the system to the revenue coming in is a bedrock principle that we are adhering to in making a proposal. Because right now, the idea that the system is funded by a ticket tax, which obviously fluctuates dramatically and the number of people on smaller aircraft obviously reduces the revenue coming in, and that is a trend that we've been watching for some years now. It has no relationship to the actual costs of running the system.

So the system that we believe makes sense is one that does go to a stable, predictable revenue stream that does connect the costs and

the revenue. There are a number of ways to do that mechanically, and we'll look forward to the debate on the Hill, because one of the principles we really want to also advance is equity. We want it to be a fair system in terms of those who are using the system and the services and paying for it. And that is a principle that we also have to address, because the current system also doesn't do that.

MR. ZREMSKI: What do you expect to happen next in the stalled Open Skies talks with the EU?

MS. BLAKEY: Well, I think that's an interesting area and one that I would certainly point to the Department of Transportation and the State Department for greater expertise on. What I would say, though, is an encouraging sign is that the EU transport minister, Jacques Barrot, will be here the beginning of next week, so I know there will be good discussions about this. Certainly all of us would like to see Open Skies between the two countries, free flow across the Atlantic, and we'll continue to work at this.

MR. ZREMSKI: Will the DOT try again to liberalize foreign ownership rules for U.S. airlines, and is there any way to get that past a Democratic Congress?

MS. BLAKEY: You know, again, I'm going to defer to Secretary Peters and the Department on this. Because we are the regulatory authority, the FAA tries to stay out, for the most part, of those kinds of trade and economic issues that affect the fortunes of the carriers so much.

I simply was -- I think Secretary Peters, though, was clear that at this point it does not make sense to proceed with the rule-making, and I think that's where they are at this point.

MR. ZREMSKI: Should the DOT block U.S. Airways' attempt to purchase Delta? (Laughter.)

MS. BLAKEY: Someone thinks I'm going to bite on that one. (Laughter.)

You know, the FAA's job is make sure everyone is out there operating smoothly and safely. That's what we're going to be paying attention to throughout it, and we'll be as interested as everybody else to see how that develops.

MR. ZREMSKI: If you could comment on the issue of airline delays last year, which were the worst since 2000, and give us your outlook for delays in 2007, why were there so many delays last year and what is the outlook for this year?

MS. BLAKEY: You know, it's interesting, because up until very recently, in an interesting way, this has been an untold story. And I say that because delays have hit the same level in terms of numbers and minutes -- and, frankly, at tremendous cost -- around \$10 billion annually -- that we had in the summer of 2000, when every time you went to the airport all you saw was "Delayed" on the boards.

The reason why this has not attracted the kind of public outcry

and attention so far is that the way the FAA has been managing this has been twofold. One, we have applied as many technological and procedural changes as we possibly can to try to minimize delays. We have also made the decision to spread delays across the flights and across the system so that what you're experiencing out there is smaller delays that are experienced by more people that does prevent these horrific situations with people sitting for hours and hours and hours on the tarmac, for the most part. But we have had examples recently, in fact, where that's been the case.

The reasons? Significantly, weather. We had a very bad weather year last year, and that's one of the reasons 2006 hit a record number of delays. But the other thing, and I will just be straight up with you, we are hitting the wall in terms of the system we have today being able to handle the volume. We really can't keep ratcheting it up. It isn't scalable. And what we're going to have, therefore, will be slowdowns and delays in the system unless we move from the current system, which is essentially 1960s technology -- one controller talking to one aircraft, fixed way points, radar, is the way we make it all happen -- to a satellite-based system that will rely much more on automation and enable us to handle a lot more traffic. And when I talk about the importance of capital investments being able to finance this next generation system, that's what it's all about and that's why it is so important to the public at large.

MR. ZREMSKI: We mentioned airline safety earlier, but you mentioned the volume issue. Is there a point where the volume issue could somehow impinge on airline safety?

MS. BLAKEY: We won't let that happen. The primary role of the FAA is to ensure the safety of the system. When we get to the point that volume begins to raise questions of whether we can operationally handle it, that's when we begin to put in ground-delay programs, ground stops -- that's when we begin to mete our air service into airports such as, for example, we've had to do at Chicago's O'Hare. We've limited the number of slots; the same thing is true for LaGuardia. So we today have measures to deal with this, and we will have to begin applying more and more of them unless we can get, again, a new system that really can handle this.

MR. ZREMSKI: As planes are flown more and as planes that were new a decade or so ago start to age, how does the FAA assure safety?

MS. BLAKEY: A lot of oversight and a lot of learning from, of course, what we see from both manufacturers and carriers and the international airline community. We have addressed this in a variety of ways. In fact, we have a series of rules that are going through the process that address aging aircraft -- issues of wiring and fatigue cracking and how you monitor for that. But at the same time, I think we see within the aviation community a tremendous amount of scrutiny that's given by the carriers in a very systemic approach to getting in front of indicators of problems with aircraft. So there's a lot of monitoring and a lot of work.

But the other thing I would point to, too, is this: that both with the changes that occurred after 9/11 and as the industry comes back, you're seeing a lot of new aircraft in the system. Many of the

older aircraft were retired to the desert during this period in which changes had to be made. So, you know, the age of the fleet also is something that I would certainly take heart in as well.

MR. ZREMSKI: How do you get next-generation air traffic control past its critics and how do you get it funded, and when do you envision it being in place?

MS. BLAKEY: Well, you know, I think at this point -- there are some in this room who certainly might debate me on this -- but I don't think the need to move to the next-generation system is a subject of debate anymore. I think virtually everyone agrees that this is an imperative and it's something we all need to address together.

What I think, you know, we do have is of course how much will it cost and how fast can we move to it? And this isn't just a question of the financing of the system itself. It also imposes costs on the airlines and on others as well because it involves equipage. It involves the ability to install avionics that are going to be able to take all of the information from both the ground and the satellites and put them in front of the pilots as well as of controllers.

So the costs here are something that everyone's going to have to look at and see. We have got a number of decision points coming up where I think everyone is going to step up and say, all right, it'll save us a lot of money, it'll be great for the public, but how fast can we quickly -- how fast can we actually afford to move? We'll see. I think it's a matter of years. The way we're projecting the system right now, of course, it will transition over time and we're looking at a time frame that has a lot of near-term benefits in the next five to 10 years, but some of this will go out as far as 2025.

MR. ZREMSKI: Again, commercial aviation is very safe these days, and we've talked about that. What challenges do you see in private aviation and do you see the growth in private aviation putting a burden on the system in the coming years?

MS. BLAKEY: Well, I suspect one of the things that the questioner has in mind here is the new phenomena out there of very light jets. This is something brand new -- and I mentioned it actually in my talk earlier -- that the move to small six-seaters with a price point of a bit over \$1 million is very likely to change private travel; it is very likely to change the opportunity for people to pay on a ticket basis, but to go point-to-point on something that's the equivalent of an air taxi. There are some air taxis out there, but as this grows -- because we're projecting that over the next 10 years, there are likely to be about 5,000 of these coming into the system -- it's going to change things.

What we are looking at here is the potential to use a lot more airports in this country. We don't have a shortage of tarmac; what we have is very congested big airports. So to the extent that people can take advantage of private aircraft and this phenomena of much less expensive aircraft -- and these are all jets -- to get from point to point on less-used community airports, it'd be a great thing. But we'll have to see. I mean, this is all a part of a phenomena just like the likelihood that we're going to begin to see more and more

unmanned aerial vehicles in the civil air space. This is all to be determined, so we're watching it, believe me, very actively.

MR. ZREMSKI: How do you balance the safety of the airports and aviation with the need for more welcoming ports of entry?

MS. BLAKEY: By more welcoming points of entry, I would guess that the question has in mind particularly our security requirements. And what I would say about that is this: again, we play a supporting role to the Department of Homeland Security and the TSA, but there have been some very encouraging signs on two fronts. One is that we've worked very smoothly together all along, but as you watch the efforts of TSA, they are focusing very distinctly on the international community and how to facilitate that.

And a great example of how it's working better was the issue of the gels and liquids. I mean, that was something that pulled everyone up very short back in August of this year, and it was not very long thereafter that most of the international community went to an exact standard that paralleled the one here. And the two sides of the Atlantic and Pacific worked on this together. Believe me, this was not something that was a unilateral move. But we were able to see that everyone pretty quickly came to understand what's required, and if you're traveling abroad, you'll see really the same kinds of instructions we have here and people can adapt. That makes it much easier on everybody.

MR. ZREMSKI: Okay, we are almost out of time, but before the last question, I just have a couple things I have to mention. First of all, let me remind our audience of some of our future speakers. On Monday, February 5th, Ted Leonsis, the vice chairman of AOL and the owner of the Washington Capitals, will be here to discuss "Web 2.0 and How it is Reshaping Marketing and Traditional Media." And then on February 27th, the governor of Arizona, Janet Napolitano, will be here.

And next, a moment that's a tradition here at the National Press Club, the presentation of gifts.

MS. BLAKEY: A-ha! I like gifts.

MR. ZREMSKI: Your certificate.

MS. BLAKEY: Oh, how lovely! Terrific. It's very handsome. Thank you very much.

MR. ZREMSKI: And the National Press Club mug. (Laughter.)

MS. BLAKEY: Thank you very much. (Applause.)

MR. ZREMSKI: Now, returning to the issue of aviation safety, we know that America's skies are safer than they've ever been. That's not always true; it's not always true for your baggage, for example. (Laughter.) So we were just wondering if you could share with us -- we all have these experiences that we've had flying -- you know, these nightmares we've had flying. What is the worst flying experience you've ever had? (Laughter.)

MS. BLAKEY: Well, I probably shouldn't tell this story. Nick will get after me. But it was a great flying experience. I went up in one of these experimental aircraft that really did feel a little bit like sort of a piece of a parachute with a coat hanger attached to the bottom. (Laughter.) And I was sitting on the coat hanger, with a co-pilot, of course. And we zipped up and it felt like the Wright Brothers. I mean, there was nothing in front of my face. You know, the bugs were coming through the air and you could see the grass under your feet as we took off on a grass strip. Flew around, had a wonderful time.

Came back down, and I was talking to people later, and somebody came over to me and said, "Did you know much about the plane and the guy you flew with?" And I said, "What?" You know, it was out here at Oshkosh, and I'm just game for almost anything. They said, "Well, you might want to check." Well, I learned later that the FAA had given out a few violations -- (laughter) -- in the past there and I thought, ooh. You know? So in terms of worst, I thought well, I probably should have done my homework just a little bit better before being willing to jump on fly. But I do love to fly, so there haven't been many worst experiences. Most have been great.

MR. ZREMSKI: That's great. Thank you very much. (Applause.)

Thank you. Thank you. I'd like to thank you all for coming today as well. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's lunch. Also, thanks to the NPC library for its research. The video archive of today's luncheon is provided by the National Press Club Broadcast Operations Center. Press Club members can access free transcripts of our luncheons at our web site, www.press.org. Non-members may purchase transcripts, audio and video tapes by calling 1-888-343-1940. For more information about joining the Press Club, please contact us at 202 662-7511.

Thank you very much. We're adjourned. (Sounds gavel.)
(Applause.)

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