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STATEMENT OF  
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RESOURCES, COMMUNITY, AND  
ECONOMIC DEVELOPMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON INVESTIGATIONS  
OF THE  
HOUSE COMMITTEE ON ARMED SERVICES  
ON  
DEPARTMENT OF DEFENSE OVERSIGHT OF AIRLINES  
WITH MILITARY CONTRACTS

Mr. Chairman and Members of the Subcommittee:

We appreciate this opportunity to appear before this Subcommittee to discuss two bills (H.R. 4014 and H.R. 5027) that would establish certain safety requirements relating to airlines with military contracts. Over the past 18 months we have worked with the Subcommittee on Aviation, House Committee on Public Works and Transportation, and the House Appropriations Subcommittee on Transportation in evaluating FAA's airline inspection program. More recently, we have worked with Congressman Charles Bennett on FAA's surveillance of airlines with military contracts, and with Senators Jim Sasser and Albert Gore on Department of Defense

policies, procedures, and practices relating to its contract charters.

Our work for Senators Sasser and Gore is not finished, so I am not in a position to provide you with those results at this time. Our work to date on FAA's airline inspection program and its surveillance of contract military airlines has, however, been made public, and several of our findings relate directly to the two bills now being considered.

COMPARISON OF AIRLINES WITH  
AND WITHOUT MILITARY CONTRACTS

First, our analysis of FAA's unprecedented, intensive inspection of the air transportation industry in 1984 showed that airlines with military contracts, as a group, had almost twice as many of the most serious deficiencies as did similar airlines without military contracts. According to FAA, these deficiencies adversely affected flight safety or contained high potential for unsafe conditions. Moreover, of the 21 airlines with military contracts, 19--or 90 percent--had the most serious deficiencies at rates higher than the median for all airlines.

While we did not determine the reasons for these differences, our analysis of FAA's 1984 inspection makes it apparent that airlines with military contracts, as a group, warrant increased inspection and surveillance. The loss of 248 military personnel and a crew of 8 in the December 12, 1985, crash of an Arrow Air DC-8 aircraft at Gander, Newfoundland, helped focus congressional attention and concern on this need and resulted in the two bills before you today.

OBSERVATIONS ON H.R. 4014  
AND H.R. 5027

One purpose of both bills is to increase DOD's responsibility for ensuring that airlines with military contracts are complying with federal safety regulations.

Recent FAA studies--as well as those conducted by the Office of the Secretary of Transportation, the Department's Office of Inspector General, and by us--show that FAA's airline inspection and follow-up activities are often insufficient to identify major safety problems or to ensure that problems are corrected once they are identified.<sup>1</sup> For example, our March 1986 report on FAA's surveillance of two contract military airlines showed that FAA inspections repeatedly uncovered violations of federal safety regulations that remained uncorrected long after FAA's initial findings of deficiency. Moreover, several recent National Transportation Safety Board (NTSB) investigations criticized FAA's inspection program and concluded that ineffective FAA inspections contribute to aircraft accidents. In short, FAA at present cannot say with assurance that airlines are complying with safety regulations.

But FAA has realized the problems inherent in its inspection program, and has, in the past few years, begun to respond. FAA has begun to increase the size of its inspector work force, has issued staffing standards and national guidelines that include minimum inspection standards, and has affirmed that inspections are the number one priority for inspectors. It has also

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<sup>1</sup>See attached list of related studies.

instituted a National Inspection Plan using large, specially assembled teams to inspect targeted airlines.

FAA is, however, not very well prepared to absorb an increase in its inspector work force and it will be years before all the needed internal management controls, inspector training and experience, regulations and guidance, and supervisory and managerial oversight are in place.

It seems to us that enactment of either of the two bills being discussed today may simply present DOD with the same kind of problems, some of which could be compounded by DOD's lack of experience and expertise in inspecting airlines for compliance with FAA regulations and safe operating practices. An alternative, therefore, would be for this Committee to work with the congressional committees responsible for FAA oversight and appropriations to fix FAA's existing inspection program rather than to establish a similar program in DOD. Our forthcoming report on FAA's inspection program will identify additional steps FAA must take to provide appropriate inspection oversight, and FAA has stated that it is committed to improving its surveillance of airlines.

NATIONWIDE MINIMUM  
INSPECTION STANDARDS NEED  
TO BE REVISED

Regardless of what actions are ultimately taken on these two bills, we believe nationwide minimum standards for the type and frequency of airline inspections should be established that ensure airline compliance with FAA regulations. FAA's current standards, usually one of each type of inspection per airline per year, do not accomplish this.

In his September 1985 response to questions raised on the basis of our August 1985 report, the FAA Administrator identified the need to take into account the complexity and individual operating characteristics of each airline in determining the minimum necessary number and mix of inspections. He stated that characteristics such as fleet size, type of aircraft, aircraft use rates, age of airline, and the airline's history of regulatory compliance should all be considered.

We wholeheartedly agree. In addition, FAA's 1984 intensive inspection of the air transportation industry found that airlines having safety deficiencies usually had one or more of the following characteristics:

- a relatively large amount of contract maintenance and/or training;
- inadequate internal audit procedures;
- a major change in operating scope, such as significant route expansion, fleet expansion, or introduction of a new type of aircraft;
- financial, labor/management, or other corporate problems; and
- management skills and philosophy incompatible with sound safety practices.

None of these characteristics, however, are specifically addressed in FAA's guidelines. As in the past, decisions on targeting inspection resources above the minimum standards are left to manager and inspector judgment, without guidance from FAA headquarters.

FAA's intensive inspection found that different inspectors have different ideas about what constitutes adequate numbers and types of inspections. We believe it essential, therefore, that FAA's guidelines be revised to provide inspectors with criteria based on airline characteristics that affect safety compliance so that inspectors have a more consistent basis on which to make these judgments. This would also help FAA allocate inspector resources among airlines more effectively and improve FAA's ability to determine its inspector staffing requirements.

These criteria could also be used by FAA or DOD to target airlines for special, in-depth inspections, including those performed prior to the awarding of a DOD contract.

SUMMARY.

Let me conclude, Mr. Chairman, by recapping the essence of my testimony.

H.R. 4014 and H.R. 5027 are expressions of congressional concern over FAA's and DOD's inability to ensure that airlines are complying with safety regulations. We believe, however, that it may be more appropriate and quicker to fix FAA's existing program and rely on FAA--the agency with primary responsibility for ensuring airline compliance with safety regulations--rather than establishing a similar program within DOD. Finally, either or both agencies could benefit from inspection criteria based on airline characteristics that have been shown to affect safety, to better ensure airline compliance with FAA safety regulations.

This concludes my testimony, Mr. Chairman. I will be happy to answer any questions you or other Subcommittee members may have at this time.

LISTING OF REPORTS CONCERNING  
FAA AIRLINE INSPECTIONS

United States General Accounting Office

Airline Inspections: Comparison of Airlines With and Without Military Contracts (GAO/RCED-86-185BR, June 20, 1986)

Aviation Safety: FAA's Surveillance of Two Contract Military Carriers (GAO/RCED-86-128FS, March 13, 1986)

Compilation and Analysis of the Federal Aviation Administration's Inspection of a Sample Of Commercial Air Carriers (GAO/RCED-85-157, Aug. 2, 1985)

The Federal Aviation Administration Can Improve the Operation of Its General Aviation District Offices (CED-81-114, June 29, 1981)

Evaluation of Programs in the Department Of Transportation--an Assessment (PAD-79-13, April 3, 1979)

Office of the Secretary of Transportation

Report and Recommendations of the Safety Review Task Force, DOT 80-15, August 15, 1985.

Federal Aviation Administration

National Air Transportation Inspection Program, Federal Aviation Administration, March 4, 1984 - June 5, 1984, Report for the Secretary

Memorandum on Evaluation of National Air Transportation Inspection Program Inspection Reports, April 1985

Project SAFE: A Blueprint For Flight Standards, September 20, 1985

Resource Requirements, Flight Standards Safety Programs, June 13, 1985

Pilot Study Report - Safety Inspection Program Review, Allen Corporation of America, November 9, 1984.

Department of Transportation, Office of Inspector General

Report on Audit of the Aviation Safety Enforcement Program,  
Report No. RO-FA-5-128, FAA Northwest Mountain Region, April 25,  
1985

Report on Audit of the Air Carrier Enforcement Program, Report  
No. RO-FA-5-084, FAA Northwest Mountain Region, April 25, 1985

Report on Audit of FAA's Inspection and Surveillance of Air Taxi  
and Commercial Operations, FAA Central Region, March 11, 1985

Report on Audit of Violation Enforcement Program, Federal  
Aviation Administration, Western Pacific Region, September 25,  
1984

Report on Audit of FAA's Inspection and Surveillance of Air Taxi  
and Commercial Operations, Report No. R1-FA-4-069, FAA New  
England Region, April 26, 1984

Audit of Adjudication of Alleged FAR Violations, Report No.  
R6-FA-4-031, FAA Southwest Region, December 19, 1983

Review of FAA Investigation of Alleged FAR Violations, Report  
No. R6-FA-3-093, FAA Southwest Region, May 11, 1983

Report on Survey of Enforcement of Violations Under the FAA Act,  
Report No. R5-FA-3-129, FAA Great Lakes Region, March 17, 1983

Report on Audit of Surveillance and Inspection of Airports and  
Air Carrier Facilities, Report No. R4-FA-2-016, FAA Southern  
Region, February 4, 1982

Report on Audit of Air Carrier Maintenance, Report No.  
AT-FA-79-11.15, FAA Southern Region, September 19, 1979

Report on Audit of Air Carrier Maintenance Operations, Report  
No. SF-FA-79-11.27, FAA Western Pacific Region, July 27, 1979

Report on Audit of Air Carrier Maintenance Program, Report No.  
CH-FA-79-2.6, FAA Great Lakes Region, July 5, 1979

National Transportation Safety Board

Aircraft Accident Report: Eastern Air Lines Inc., Lockheed  
L-1011, B334EA, Miami International Airport, Miami, Florida  
NTSB/AAR-84/04, May 5, 1983

Aircraft Accident Report: Sierra Pacific Airlines, de Havilland  
DHC-6-300, N361V, Hailey, Idaho, NTSB/AAR-84/03, February 15,  
1983

Aircraft Accident Report: Air Illinois Hawker Siddley,  
HS-748-2A, N748LL, Near Pinckneyville, Illinois, NTSB/AAR-85/03,  
October 11, 1983

Aircraft Accident Report: Vieques Air Link, Inc.,  
Britten-Norman BN-2A-6 - Islander, N589SA, Vieques, Puerto Rico,  
NTSB/AAR-85/08, August 2, 1984