

INTRODUCTORY PRESENTATIONS

WELCOME

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I have always been interested in better forecasting. Before starting my 26 years with the FAA, I was with a consulting company for several years and before that with Black & Decker Manufacturing. Reminiscing about my time at Black & Decker Manufacturing, I was just out of college and was employed in market research. I was not a forecaster. The forecasting group was housed in adjacent office space. I frequently looked covetously over at the forecasting group, and I mentioned to Phil Dolan, who was both my supervisor and mentor, my interest in forecasting. He was very kind, but also very sage, saying, "Well, that is very good, but if you decide you really want to be a forecaster, just make sure you can run faster than the numbers catch up with you." That was my introduction to one philosophical approach to forecasting. It is important to remember that there are limitations to forecasting.

Later on, when I was working with the consulting company performing transportation-related projects, I was sitting in my office one morning and my secretary asked if I would take a phone call from someone who was interested in potential employment. I agreed. The caller was a lady who explained that her acquaintance had suggested that she really should seek employment in forecasting. I asked, "Did you have training in quantitative subjects; are you an industry expert?" She said, "No, I get premonitions—visions—about what is going to happen." So, trying to be polite, I said, "That is very, very interesting—could you give me some insight on what is going to happen to the prime rate over the next month?" She wasn't quite sure what the prime rate was, so I explained it to her. Upon hearing my explanation, she said, "No, I really don't forecast small events like that. I only do big events, like whether a meteor is going to hit or whether there is going to be an assassination." I thanked her, but I explained that the nature of our business was such that in general we didn't have a lot of call for that kind of information.

Again, this story illustrates a point—small things, like the interest rate, can actually have a big impact on events. That is why we spend a lot of time working with financial numbers. That is why we are asking you to help us try to ascertain what is going to happen in the future.

On behalf of the FAA, I would like to welcome you to the Eleventh International Workshop on Future Aviation Activities. I tried to see if there was an acronym for that, but it's a tongue twister and there isn't an acronym. This workshop recognizes the importance of your input to fore-

cast projections in developing a safe and efficient air traffic control system. I might add that I believe this is a win-win situation as the FAA finds out what our workload is going to be, and I hope through this sharing that you will go back to your respective occupations with additional insight that will benefit you in your work.

This coming year, we will host the 25th FAA Aviation Forecast Conference. After 24 successful years and continued strong support from the aviation industry, it is clear that this conference is very important to the aviation community. What you are doing here in this particular activity today is the forerunner to the conference. It is an important part of our preparation. This is where a major element of the groundwork is laid for the forecasts that will be presented next March.

Talking about the conference that we are going to have next March, we are changing our format a little bit. We are combining the commercial and general aviation (GA) conferences. You may, if you have your pocket planner, want to note the time and place of that coming conference. It is going to be March 8–9 at the Washington, D.C., Convention Center.

Herb Kelleher, Chairman, President and CEO of Southwest Airlines, has agreed to be our luncheon speaker. He has addressed the group before, and, frankly, as I think most of us know, he is very effective as a speaker both because of his insight and because of his bon mots and good humor.

Forecasting activity is an essential component of the FAA's planning process. Forecasts are used to determine staffing levels and capital expenditures that are needed to accommodate growth in aviation. The forecasts are also used by our agency in preparing our budgets and conducting cost/benefit analyses of both investment and potential rules, in analyzing what we think trust fund income will be, and finally in looking at things like accident rates for safety analysis purposes.

Because of the sizeable investment that we are making in the national air space system, it is essential that our forecasts produce accurate results. We are called to task by the users of these forecasts and by our congressional overseers to be accountable. During the last ten years, with your help, we have adopted state-of-the-art methods of analyzing trends in air traffic. These methods and your insight have, in fact, helped us reduce forecast errors. The input that you are going to be providing over the next three days will be used in developing the forecasts that we present in March. Again, this is a very important activity to my office and to the FAA.

As we all know, the aviation industry has seen dramatic changes in the past decade. Frankly, I expect that these changes will continue. There has been, first, major restruc-

turing. Second, there has been intense economic market competition. Third, there have been expanding global alliances. Fourth, we have negotiated a large number of open skies agreements. These activities and issues, I think, will affect our forecasts.

I am happy to say that over the past three or four years we have also experienced a tremendous resurgence in GA activity and sales. Again, this will certainly affect forecasts of the FAA workload. I know a few of you may dispute the importance of GA activity levels to FAA workload, but the reality is that GA is our largest customer in terms of activity counts.

The dynamics and complexity of our aviation system make it essential that we verify our projections with you to make certain that they reflect what you think is going to occur in the industry. If there are differences between our projections and your opinions, and I suspect there will be in some cases, what we need to do is to discuss these differences openly over the next several days. What we would like to achieve, if possible, is a consensus of where the industry is heading.

Talking a little bit about the format of the conference here today, there are nine panels, and each of you will participate in one of these panels. I am lucky—I get to walk around and go to more than one. There are three panels on passenger demand—domestic, international, and regional; one on airports; a panel on aircraft fleets and manufacturers; one for GA; one for business aviation; one for vertical flight; and one for air cargo. What we would like each of these panels to do is to help us make certain that we have accurate projections of the variables that affect each of the panel categories.

To provide focus, I will recite some questions that enter my mind when I think about the coming forecasts and also are of great interest to the FAA's forecasters.

First, during the past five years, I think we are all aware that there has been a very rapid rate of growth and major structural changes in the air carrier and commuter markets. How will global alliances and open skies agreements affect future air carrier operating costs and revenues? Will we continue to see low cost carriers entering the market? Will we see mergers among the majors and less or more competition? Will we open domestic routes to international carriers? Will there be continuing increases in airline productivity and lower real fares? How will regional jets affect the market?

Let's talk about airports. How will airports accommodate forecast traffic growth? What are the environmental and capacity constraints, especially in the large hubs, that we will need to consider and review for purposes of our forecasts? What are the noncapital alternatives for expanding airport capacity? There have been recommendations

for increasing investment in airports, but are there any other choices?

For the aircraft fleet panel, what will be the impact of regional jets and their effect on overall activity? How will regional jets affect hubbing and point-to-point service? Will airport capacity constraints, both domestically and internationally, significantly increase the demand for larger aircraft? What will the development of super-jumbo commercial aircraft do to airport operations and the air traffic control system?

As I said earlier, we have seen a tremendous surge in GA growth. Has GA turned the corner? Clearly, resurgence is evidenced by increased GA activity at FAA facilities, an increasingly large fleet size, record shipments, and billings of a fixed-wing aircraft. Do you think these trends will continue? If so, what are the expected rates of growth? The current FAA aviation forecast for the GA fleet and hours flown is based upon growth rates that were established in this conference two years ago in 1997. Are these rates still valid?

Again, I want to emphasize that for GA forecasting, we are very dependent on the input we get from this forecast conference. It is not our only source of forecasting information. But because of the wide amplitude that we have seen in GA activity over a 20-year period, we are very dependent on your insight in helping us forecast for the future. At the 10th workshop—the last workshop—you recommended that the FAA resume its forecasting of the demand for cargo services. In fact, we did this, and last March we published the first cargo forecast that we have made in over 12 years. We are hoping to build in future years on these cargo forecasts and are open to your suggestions that you might make today about ways that we can do this, about new directions.

We rely on your efforts to answer and illuminate all the questions that I have just posed. This helps us improve the accuracy of our forecasts. Our record is relatively good, due in part to what you have contributed. So you have an important task in front of you.

To summarize, the U.S. and world economies, as well as the aviation industry, have undergone considerable change in the past several years. It is difficult to predict aviation activity only using statistical models. We recognize this and rely on the information and insights that we will get from this activity. I, and the members of my office and the FAA, appreciate the time that you have taken to be here, and I thank you for your inputs, both past and present.

In closing, I would like especially to recognize and to thank the two TRB aviation section chairs, Professors Vicki Golich and Gerry McDougall, who have managed the planning, development, and conduct of this workshop.