

Statement of Mr. Joseph C. Hete
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Subcommittee on Aviation

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Chairman LoBiondo, Ranking Member Larsen, and Members of the Subcommittee, I am privileged to serve as the President and CEO of Air Transport Services Group. Thank you for the opportunity to highlight our company's vision for all-cargo aviation in the 21st century.

ATSG wholly owns two airlines, ABX Air, Inc. ("ABX") and Air Transport International, Inc. ("ATI"), each independently certificated by the U.S. Department of Transportation. The Company's airlines separately offer a combination of aircraft, crews, maintenance and insurance services, commonly referred to as ACMI services. ABX operates Boeing 767 freighter aircraft, while ATI operates Boeing 767 and Boeing 757 freighter and 757 "combi" aircraft. Combi aircraft are dedicated to the U.S. Military and capable of carrying passengers and cargo containers on the main flight deck. The airlines can conduct cargo operations worldwide.

The air cargo industry is unique – compared with other industry users we have a different business model and operational characteristics so it's important to recognize our segment of the aviation industry when making policy decisions. Today I'd like to share with the committee some of the challenges and concerns we have and how they affect our cargo airline operations.

We at ATSG have seen a great deal of change take place in the air-cargo industry over the past two years. With stiff competition in the industry, removing specific regulatory burdens have the potential to pay off in the form of operational efficiencies which will undoubtedly improve our competitive abilities as well as our primary customers, the U.S. Military, DHL and Amazon.

There are a few key topics of concern for our industry that I would like to share with you.

Over the past few years, a debate has been waged over whether cargo pilots should continue to be regulated under the existing Part 121 rules or whether they should be subject to newer, Part 117 rules. The Federal Aviation Administration, after no less than three separate reviews, each time correctly found that the cargo pilots should be regulated under Part 121. These rules work for our industry. There has been no sound evidence to suggest a move to a one-size-fits-all rule would improve safety for all-cargo pilots – and this makes sense as the air cargo industry is inherently different than the passenger carrier industry. As I mentioned earlier, ATI operates the 757 combi which carries passengers and those flights are operated under the Part 117 rules.

The safety record of all-cargo carriers in the fatigue area under Part 121 is impeccable. Operating under existing Part 121 regulations, the all-cargo industry has reduced all accidents significantly

over the past two decades and, since 2003, has operated over ten (10) million flight operations with absolutely no fatigue-related accidents attributable to crew scheduling.

If ATSG's airlines were forced to comply with the 117 rules, we would have to hire more pilots – which would be a boon for the pilot's union – but would allow for even LESS flying time for each pilot potentially affecting their proficiency. Changing the flight and duty time rules that apply to all-cargo carriers is a bad idea and doing so could actually make our operations less safe and put our pilots at risk.

Notably, the NTSB has reported that over the last 20 years, there have been only two cargo accidents where fatigue was listed as the cause or a contributing factor. Neither of these accidents would have been prevented by the new Part 117 rules.

At ATSG's airlines, we provide more and longer flight crew rest opportunities in our cargo operations than our passenger counterparts. We provide sleep facilities at both cargo hubs that we operate through.

Most importantly, our airlines pilots average 40-45 flight hours per month and are usually point to point while passenger carrier pilots fly approximately 60 hours each month and include many segments per day. Our pilots are also only scheduled for duty 14-16 days out of every month and in many cases that includes weekend layovers.

By recognizing that the all-cargo segment of the air transportation industry is unique and has significantly different operations than the passenger segment, the FAA has correctly determined, as stated by former Administrator Randy Babbitt at an ALPA Safety Conference, that “In rulemaking, not only does one size not fit all, but it's unsafe to think that it can.”

With regards to the air transport of lithium batteries, ATSG supports the promulgation of tough and internationally-consistent regulations governing the air cargo transportation of lithium batteries, as well as stringent enforcement of those regulations around the world. The key issue here for our company is consistency. We simply cannot have a patch-work of international lithium battery transportation standards. It would make it virtually impossible to transport batteries which power many aspects of our lives.

Our position at ATSG and working with the Cargo Airline Association which has been a leader on this issue is grounded in a long-standing endorsement of Section 828 of the bipartisan FAA Modernization and Reform Act of 2012 and recognition of the ongoing work of the International Civil Aviation Organization or, ICAO, in addressing lithium battery transportation safety. Section 828 mandated that U.S. regulations be harmonized with international regulations, because harmonization avoids confusion among shippers, carriers, and others in the supply chain while maximizing safety.

We ship millions of lithium cells and batteries and products containing them annually, and for our customers, safe and reliable air transport is a critical part of their logistics chain. We depend on lithium batteries in our jobs, in our personal lives, and to power life-saving medical devices so

it is important we work to maintain international harmonization while enforcing existing regulations around the world.

I know that ATC Reform has been a hot button issue for Congress and I will not elaborate on the issue in this forum. I feel it is important to note that from my perspective, the system that we have works and is safe right now. If there are significant gains to be made by restructuring the ATC system in some fashion, we are all for it. However, in my view, if there are significant changes made to the structure and funding of the ATC, every effort should be made to maintain the current costs for the air cargo carriers. I am not alone when I say that as the head of a publically traded company, I simply cannot tell my shareholders nor my customers that an ATC restructuring effort is a good idea when we do not have cost assurances.

Regarding the Open Skies issue, I share the opinion of the Cargo Airline Association that opposes altering the country's policy of expanding international opportunities through the negotiation of Open Skies Agreements with trading partners. The all-cargo carriers have global networks with destinations all over the world and we rely on the access Open Skies agreements provide to provide time-definite delivery of high value goods. Unlike the passenger carriers, all-cargo carriers do not have code share agreements or worldwide alliances, and depend on the beyond rights inherent in Open Skies agreements to provide global service. Therefore, we oppose any attempt to jeopardize our existing Open Skies agreements.

Finally, one of the biggest impediments to NextGen may not in fact be funding or the transfer of ATO to private entity as many have talked about, but rather aircraft noise. With new, more fuel efficient flight paths for aircraft being implemented as part of the airspace redesign for NextGen, new communities are exposed to noise that previously were not. Further, as a cargo operator we fly a substantial number of nighttime operations and any call to impose nighttime flight restrictions would be problematic. These issues tend to be local-level problems that then get elevated and then in time become Congressional problems. While a lot of advancements have been made in the area of aircraft noise, and a significant decrease in those exposed to noise has been achieved, this issue will continue to prove challenging for both FAA and operators like ABX. In summary, I would oppose any effort to impose new aircraft noise restrictions that may undermine our national aviation and airport system or inhibit the implementation of NextGen modernization projects which are crucial for the efficiencies of future of air transport.

Again, thank you for the opportunity to appear before you today and discuss the issues important to ATSG, its airlines and the future of the air-cargo industry. I look forward to answering any questions you may have.