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FAA-2001-11172-12

Docket No. FAA-2001-11172 Notice No. 154

**SUMMARY OF MEETING BETWEEN THE FEDERAL AVIATION
 ADMINISTRATION
 AND
 THE NATIONAL AIR TRANSPORTATION ASSOCIATION'S
 AIRLINE SERVICES GROUP
 CONCERNING
 AIRPORT SECURITY ISSUES**

DECEMBER 10, 2001

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LOCATION: Shaw Pittman, Potts and Trowbridge
 2300 N Street NW
 Washington, D.C.

PARTICIPANTS

a. FAA

Barry Molar, Manager, Airports Financial Assistance Division, Office of Airport Planning and Programming
 Frank SanMartin, Manager, Airport Law Branch, Office of Chief Counsel
 Frederick Falcone, Special Projects Officer, Office of Civil Aviation Security Operations
 Lyle Fjermedal, Compliance Specialist, Office of Airport Safety and Standards
 Andrea Toney, Program Analyst, Office of Airport Planning and Programming

b. National Air Transportation Association's (NATA's) Airline Services Group

NATA Airline Services Group members included representatives from fueling, catering, ground handling, screening/security, and fixed base operator (FBO's) companies. In addition, NATA staff and legal representatives were also present.

NOTE: The purpose of meeting was to discuss procedures for reimbursement of airports, on-airport parking lots and vendors of on-airfield services to air carriers for security mandates as a result of requirements identified in section 121 of the Transportation and Aviation Security Act of 2001. The FAA issued a notice of proposed rulemaking on December 17, 2001 in response to section 121 of the Act.

Members of the group introduced themselves. . .

Mr. Molar shared the good news that the recent Aviation and Transportation Security Act which was signed by the President includes a provision which authorizes up to \$1.5 billion for direct costs used in meeting new and revised airport security requirements by vendors of on-airfield direct services to air carriers. Mr. Molar indicated that no funding has been appropriated yet.

Mr. Molar provided an overview of the statute and the timeline we are working with. He indicated that we have until December 19, 2001 to get the guidance together. In addition, because there is a lot that the statute leaves to discretion, we will need to issue guidance as a regulation. We will be following the approach used with the recent airline compensation rule. Mr. Molar also noted that there will be an opportunity for comments and that the statute does require consultation with effected groups.

Mr. Molar indicated that we are working diligently to meet the statutory deadline. In addition, he mentioned that airport direct costs would be eligible for reimbursement.

Mr. Molar indicated that he had prepared a list of issues that he wanted to address with the group. Mr. Molar indicated that the FAA wants to make sure that we are as inclusive as possible in covering on airfield costs.

Mr. Molar stated that FAA positions expressed in the meeting were staff positions subject to change in the review and coordination process

An NATA member asked whether costs for new screening devices for FBO's would be reimbursable. Mr. Molar indicated that they would be reimbursement eligible if they were incurred to satisfy an FAA security requirement.

The issue of Part 107 vs. Part 108 was raised and Mr. Molar indicated that the issue needs some careful thought.

The issue of reasonableness was raised with regard to Part 191 and the fact that the airport entities did not receive the direct security requirement. Mr. Molar indicated that the FAA will be looking towards the FAA Security Office to help sort through these issues.

An NATA member questioned whether quasi security requirements for airport entities such as background checks, ID cards and fingerprinting would be eligible costs. Mr. Molar indicated that those costs would be reimbursable if they are a directive from the FAA.

An NATA member questioned whether additional training above and beyond (pre 9/11) because of security directives would be eligible costs.

An NATA member asked whether the costs of re-badging employees and the time while they were waiting in line would be covered.

An NATA member asked if there is a general place that they can go to determine if a direct cost is eligible for reimbursement and whether there is a policy decision or directive covering this.

An NATA member asked if the company has to be located on the airport or whether they (simply need to) physically do business on the airport.

An NATA member questioned whether costs such as fingerprinting for maintenance companies would be eligible. Mr. Molar indicated that there could be a good argument for including these costs. Mr. Falcone suggested that this would not be the best argument since these costs existed before 9/11.

An NATA member raised the issue of the long lines and lost productivity associated with re-badging after 9/11 and whether these costs would be eligible for reimbursement.

An NATA member raised the issue of employee parking lots, which are now invalidated because of new security requirements. An FBO mentioned that it can't use its parking lot although they still have to make a lease payment, which includes this cost. Mr. Falcone suggested that alternative parking costs would be a direct cost. The issue of how to treat expenses associated with the 300-foot rule was raised. Mr. Molar indicated that lost revenue would not be reimbursable because this funding is for direct costs.

The issue of costs associated with physically towing (removing) vehicles for the 300-foot security requirement was raised.

An NATA member raised the issue of employee down time because of increased security requirements.

The issue of independent audit requirements was discussed. Mr. Fjermedal indicated that if the request for reimbursement is less than \$300k normal accounting data to support the claim would be ok. If an operator requests reimbursement greater than \$300k an independent audit is needed.

The issue of timing and the different fiscal years was raised. Mr. Molar indicated that there would be a uniform deadline. In addition, if submissions exceed the appropriation the reimbursements would be prorated. The group also discussed whether actual funding was likely this fiscal year and a potential drop dead due date for the submissions.

An NATA member raised the issue of whether passenger handling for reservation agents would be eligible for reimbursement. Mr. Molar indicated that not unless they were direct security costs.

An NATA staff member asked if there was a specific way or time that FAA wants to get together with NATA on this regulation. Mr. Molar indicated that he would take an IOU on this.

An NATA staff member suggested that it might be a good idea for the NATA group to get together to define a list of questions that could be sent to the FAA (since so many individuals had questions that they wished to ask). Mr. Molar indicated that the sooner NATA could provide their questions to us (the FAA) the better.

An NATA member raised the issue of the increased insurance costs in terms of the ratings for companies based on the FAA's new security requirements.

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