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Transcript of Tele-News Conference with Under Secretary for Natural Resources and the Environment Mark Rey Washington, D.C.- May 26, 2005

OPERATOR: Good morning or good afternoon everyone. Thank you all for holding. Your lines have been placed on listen only mode until the question and answer portion of today's conference. During the question and answer session you can press \*1 on your touchtone phone to ask any questions.

Today's call is being recorded. If you have any objections, please disconnect at this time.

I'd like to turn our call over to our first speaker for today, Mr. Dan Jiron. Sir, you may proceed.

MODERATOR: Good afternoon. My name is Dan Jiron. I'm national press officer for USDA Forest Service in Washington, DC. My phone number after this call is over is 205-1134, and the main press number at Interior is 208-6416. Either way, you can obtain information afterwards or for follow-up.

Today with me this afternoon is the Interior deputy assistant secretary for Business Management and Wildland Fire, Nina Hatfield; and also under secretary for Natural Resources and Environment for the Department of Agriculture, Mark Rey. In addition, Tom Harbour, Director of Fire and Aviation Management for USDA Forest Service is also here, and also Mr. Rob Collins who's Fire Management officer from the Bureau of Land Management here in Washington also is with us.

On that, I'll turn it over to Under Secretary Rey.

SEC. MARK REY: Thanks, Dan. And welcome to our colleagues from the Department of the Interior. And thanks for all of you joining us today telephonically.

We're here today to announce some good news as we enter into the active part of our fire season. That good news is, we've completed the safety reviews of one model of aircraft, the Lockheed P2Vs; and we'll shortly after one additional inspection be returning nine P2Vs to our aviation fleet.

Let me digress for a moment, for those of you who haven't been following this story generally over the last year and give you some background leading up to today's announcement.

In April of last year the National Transportation Safety Board completed an investigation of three large air tanker crashes that occurred in the late 1990s, early parts of this decade, and made several recommendations necessary to assure their safe operation.

After reviewing the National Transportation Safety Board [report], we grounded the large air tanker fleet last May and commenced with the advice of the Federal Aviation Administration the necessary safety reviews to assure ourselves that some or all of the large air tanker fleet could fly safely and effectively as part of the fire-fighting mission.

When we made that decision last May to ground the large air tanker fleet, we immediately moved to restructure our aviation fleet to fill in for the missing large air tankers with a larger component of helicopters, heli-tankers and fixed-wing, single-engine air tankers, which are smaller in design and capacity than the large, fixed-wing air tankers.

We stated at that time that we were confident that our reconfigured fleet would achieve our fire-fighting needs for the 2004 fire-fighting season. In retrospect, our predictions were correct.

The primary use of our aviation assets for fire-fighting is to assist in fire suppression on initial attack. That is, to catch fires quickly while they're still small and extinguish them before they become big fires. Aviation assets are critical for this part of the fire-fighting mission, particularly where access to engines and to field crews is limited by terrain or topography.

In 2003 with our entire large air tanker fleet intact, the combined federal agency services were successful in extinguishing 98.3 percent of all fires on initial attack. In 2004, with the reconfigured fleet that involved a smaller number of large, fixed-wing air tankers, we succeeded in extinguishing 99.1 percent of all ignitions on initial attack.

So our reconfigured fleet -- while more expensive to operate because helicopters are more expensive on an hourly basis to operate than fixed-wing air tankers -- was successful in meeting our fire-fighting mission.

The value of bringing those large air tankers back on-line, which we can assure are safe to fly, is that they offer us more flexibility in fire-fighting tactics and they are cheaper on a per-hour basis to operate.

As we commenced the review of the large air tanker fleet last May, we were able within a month and a half's time to return one model to the fleet, the P3 Orion which is also a Lockheed model. And we were able to return eight P3 Orions into the fleet, which we used for fire-fighting purposes through most of the last fire season.

The reason the P3 was able to be returned to the fleet quickly is that particular aircraft model is still in active military use by the Navy, and therefore the information necessary to compute an operational service life for the P3 was readily available.

What the Navy's data tell us is that you can safely fly a P3 for 19,000 flight hours provided adequately maintained and serviced. After 19,000 flight hours notwithstanding the quality of the maintained maintenance and servicing, you run the risk of an increased likelihood of catastrophic metal failure. And therefore after 19,000 hours it is substantially less safe and imprudent to fly a P3.

All of the P3s in the fleet were substantially under 19,000 hours. Therefore, in early July of last year they were returned to the fleet. We subsequently learned, however, that it would become a much more difficult task to find the operational life limit for the remaining models in the existing air tanker fleet. That would be the P2Vs as well as PC4s, 6s, and 7s. And the reason it was substantially more difficult is that none of those four models are still in active military use. And there were no easily obtainable data to establish what an operational service life limit would be for any of those four models.

Through subsequent research with the assistance of Lockheed Corporation and the FAA, we were able to find an aeronautical engineering consultant, Avenger Aircraft and Services, LLC, who could provide the needed information based upon their longstanding experience with the P2V. Specifically they had available to them data from tests that were made by the Japanese Defense Force which also flies a number of P2Vs in the mid to late 1960s, which established an operational service life for the P2Vs.

With all of that information together and additional analysis by Avenger Aircraft and Services, LLC, we were able to conclude that the operational life of a P2V is 15,000 hours. There are nine P2Vs available to fly, all of which are substantially under 15,000 hours in flight time.

What we're announcing today at the conclusion of the research that we did along with Avenger Aircraft and Services, LLC, in consultation with the Federal Aviation Administration is that we will after one series of inspections that Avenger Aircraft and Services, LLC felt necessary, be returning the P2Vs to the fleet. That will be over the next three or four weeks as each of the nine aircraft involved is inspected and we assure ourselves that the areas where Avenger Aircraft and Services, LLC suggested additional inspections should take place are in fact sound and the planes are therefore safe and ready to fly.

As I said, that will occur over the next couple of weeks. The first inspections will be taking place this weekend, so the first of the aircraft will likely be returned to service early next week.

As we return these P2Vs to service, we will then evaluate the reconfigured fleet and evaluate whether we can stand down some of the more expensive assets that we've already procured or as the fire season develops if it develops with more intensity than we expect we'll retain those assets to retain a somewhat larger fleet than the one we carried through the 2004 fire season.

For those of you who want some locational specifics about where these P2Vs are located, they are flown by two contractors-- one is Neptune Aviation that's headquartered in Missoula, Montana. They are the owners of seven of the P2Vs. The other is Minden Aircraft in Minden, Nevada, which owns two of the P2Vs. The companies were notified this morning and are eager to start the inspection process to return to service.

I think that summarizes what we have to announce today except to say that the analysis of the DC4s, 6s and 7s continues to progress. We are finding even greater challenges in securing the information necessary to calculate an operational service life for those aircraft, and we don't expect that we will likely have that completed in time for this fire season. That's not a certainty, but at this point it's becoming increasingly more likely.

We are confident nonetheless that with the heavier component of helicopters and single-engine tankers as well as now an additional nine heavy tankers, that we will achieve the same level of success that we have for the last couple of fire seasons.

On our respective websites, at 2:00 is a press release that describes this announcement and also provides a brief summary of the configuration of our fleet today as we enter the most active part of the fire season.

With that I'll turn it over to Nina Hatfield from the Department of the Interior for her thoughts, and then we'll take your questions.

MS. NINA HATFIELD: Okay, thank you, Mark. We at Interior certainly are glad to join in with this announcement because we recognize that the air tankers are an important component of the pool of resources that our fire suppression program has in dealing with fire. And we recognize that restoring these aircraft to our fleet will certainly give us greater flexibility as we provide aviation support to wildland fire-fighting.

And like Mark, we are confident that these air tankers and our other air support will enable us to maintain the efficiency that we've seen in stopping fires on initial attack.

So with that I think we can go to questions.

J: Okay, let's take our first question.

OPERATOR: Thank you. Again at this time if you would like to ask any questions please press \*1 on your touchtone phone. One moment please for the first question. And our first question comes from Dan Berman. Your line is open.

REPORTER: Hi. I know some of the issues regarding the reconfigured tanker fleet had to do with cost last year. Is there any idea of how much the fleet will cost to operate this year and if there's going to be a savings compared to last year?

SEC. REY: The question is whether we have any idea. I'm going to repeat your question Dan, because you're coming through on a fairly weak connection. The question is

whether we have any idea of what level of savings we might enjoy this year as we bring these new air tankers back on-line. And I don't think we do at this point in large part because the overall cost will be a function of what the fire season is like. So comparing one year to another is probably not a valid comparison.

We did do a comparison of last year's season just looking at the flight hours that we racked up and trying to do an evaluation of those flight hours that might have been attributed to large, fixed-wing air tankers versus helicopters had we had more tankers available. And our guess is that the reconfigured fleet probably cost us net about \$40 million more than we otherwise would have spent. And we'll try to do the same comparison this year, but it's a comparison that's better made within a year looking at the hours flown by tankers versus helicopters than it is a comparison from year to year.

MODERATOR: Okay, next question.

OPERATOR: Our next question, from Robert Struckman (sp). Please announce your company's name.

REPORTER: The Missoulian. I'm wondering, there's been some talk about a settlement over the cancellations last year. I know Neptune, people at Neptune mentioned that to me. Where are you in terms of a settlement in those regards, you know settling? Basically Neptune is saying they had a contract, it was cancelled, they want some compensation for the contract. Is there a settlement?

SEC. REY: The settlement discussions are ongoing. They are entitled to some compensation. I don't think anybody disputes that. The discussions that are ongoing involve what the right level of that compensation is. The fact that we're going to return them to the fleet this year as I indicated will have a bearing on those discussions, and we'll be paying them, and they won't be seeking compensation for lost revenue this year.

OPERATOR: And our next question comes from Clare Vitucci (sp). Please announce your company name?

REPORTER: Press Enterprise, Riverside, California.

OPERATOR: Thank you. Go ahead with your question.

REPORTER: Okay. Actually I have two quick questions. So the total number of planes then, that would take it up to 19. Am I correct? And then I'm kind of unclear, the DC4, DC6 and DC7s, are those going to fly this season or no?

SEC. REY: Taking your second question first, based on the difficulty that we are having acquiring the data and doing the analysis necessary to derive an operational service life for the DC 4s, 6s and 7s, we're not optimistic that we'll have them in the air this year.

Going to your first question then, we have seven P3s that are now contracted, up to nine P2Vs that will be contracted, for a total of 16. We are flying one DC7 on restricted use with monitoring equipment to help acquire the data that we need to do the calculation. That brings us to 17. And then we have access to eight military C130 aircraft which are outfitted with modular airborne fire-fighting systems which we've used in past years. So that brings us to 25 total, which is not that much less than the fleet in 2003 where we were using about 33 aircraft total.

MODERATOR: Okay, go ahead with the next question.

OPERATOR: The next question, from Heidi Meil (sp). Please announce your company name.

REPORTER: I'm from KECI-TV in Missoula, Montana. I just want to ask about the importance of having some air tankers available here in Montana.

SEC. REY: It will be important when we're in the height of Montana's fire season. The air tankers as is the case with most of our aviation assets, are national assets. That is to say, they are used nationally. They move from region to region as the intensity of the fire season moves from region to region.

Again, for those of you who haven't followed this story in any detail, the way a typical fire season evolves is that it starts in the early spring in the southeastern United States. We had a relatively benign early season in the southeast. Then it moves to the southwestern states. So far we've had a relatively benign season in the southwest, although the weather predictions for this weekend give us some concern. And then it moves north through the Rockies until we get into Montana, Idaho, Eastern Washington, Eastern Oregon towards the end of the summer. And then it finishes up in the early fall in Southern California.

That's kind of the general pattern of the fire season. Our aviation assets will move with that pattern. The air tankers that are stationed, that are owned by the company that's headquartered in Missoula will be used to fight fires in Montana, but they'll also be used to fight fires in other parts of the country again.

Again, one of the benefits that the large, fixed-wing tankers give us in terms of flexibility is that we can move them faster over longer distances than we generally can helicopters, which means we can purchase less of those to the same effect, than we can with helicopters because we have to deploy helicopters differently.

MODERATOR: Okay, let's go to the next question, please.

OPERATOR: Next question from Steve Timpco (sp). Please announce your company name?

REPORTER: Steve Timpcoco with the Reno Gazette Journal. You said that overall attacks increased somewhat the success of your putting out fires. Have you identified specific fires that could have been put out if you had the air tanker fleet more readily available last year?

SEC. REY: No. None of our large incident analyses to date of the 2004 fire season has indicated any fire where the lack of aviation assets were causal in our lack of success on initial attack. More commonly the issue involved weather patterns, if the ignition occurred during a high wind period, or a situation where a dry lightning event caused multiple ignitions and are assets both aviation and ground assets, were not able to get to them all and extinguish them on initial attack.

You'll hear differently I'm quite certain because every fire has an audience, and in many cases people will play a game associated with would'a, could'a, should'a. But our analysis so far does not indicate any of our large fire incidents became large fires as a result of a lack of aviation support.

MODERATOR: Okay. Let's go to the next question, please.

OPERATOR: Next question from Ted Robbins (sp) of National Public Radio. Your line is open.

REPORTER: Hi. I just have more or less a point of clarification. If I've heard you right, you said you were doing one series of inspections, hopefully over the next week but you said possibly three or four weeks, before allowing the P2Vs back up into the air. But you're announcing today that they're going to fly. So?

SEC. REY: The inspections are areas of particular concern about the prospect for catastrophic metal fatigue. And now that we've done the analysis and know where to look, that inquiry, that inspection, that look if you will, will be part of our normal inspection process.

But we have not previously looked at these aircraft in these places in this way lacking the information that we have now procured. So that's the sort of routine inspection that has to occur before each of the planes goes up.

REPORTER: But how can you announce that they're going to fly?

SEC. REY: As we look we'll find some evidence of cracking, and if so then a part will have to be replaced. But that alone shouldn't ground the aircraft. It should just mean that it will take a little bit longer for it to get up in the air because we'll have to replace a part that we now know to look for because that's the likely place where catastrophic metal fatigue would occur of anyplace in the aircraft.

Some places you have to remove pieces to look at things that are underneath the surface, and that's what will be done. Is that clear?

REPORTER: Yep. Thank you.

OPERATOR: Next question from Tamara Keith (sp). Your line is open.

REPORTER: Hi. I'm from KPCC. I have a couple questions. One, do you feel like this is enough heavy air tankers? And, two, does this resolve sort of the long-term question of the health of the air tanker fleet?

SEC. REY: The answer to question one is, we have an adequate aviation fleet to do the work we need to do to continue to suppress 99 percent of the fires that are ignited. If we had a few more of the large air tankers, we'd decommission or stand-down some of the more expensive assets.

So that's why we're continuing to do the analysis on the DC4s, 5s and 7s. So it's a question of cost-effectiveness and getting the best results for the taxpayer as well as for the homeowner that may be affected by a wild fire someplace in the United States this season.

The answer to the second question is that this generation of tankers is not at the end of its life, but it's getting there. And we are looking at alternatives for modernizing the fleet and for bringing in the next generation of aircraft. That's something that we, our colleagues at the Department of the Interior, and the state fire-fighting agencies are all looking at right now.

It's not something that has to happen immediately, but it's something that needs to happen in the next couple of years as these aircraft begin to approach more closely the 15,000-hour limit for the P2Vs and the 19,000-hour limit for the P3s.

REPORTER: So when you talked about this generation, you are referring both the P3 and the P2V?

SEC. REY: I'm referring more to the P2Vs because there is a finite number of P2Vs still out there with a low number of hours on them. The P3s are a little bit different situation because the Navy is still using P3s on active duty; therefore, Lockheed was manufacturing them a lot longer than they were manufacturing P2Vs. Therefore, as the Navy now moves to its next generation Sub Hunter, which will be a modified Boeing 737, and they begin to decommission P3s, they're going to decommission a lot of P3s with relatively few hours on them.

Those P3s may in fact be part of the next generation because they'll come available for nonmilitary use; that is, for surplus, with maybe only a couple thousand or even less hours on them. And so they may be part of the next generation of aircraft.

But in addition to that, there are by our last estimate 15 separate aviation firms that are experimenting with new aircraft or modifications of existing aircraft for fire-fighting



purposes that are trying to go through the steps necessary to get them into operation for fire-fighting purposes. There are several steps involved. The first and probably threshold is that they have to be certified by the FAA that they're generally safe to fly. Then they have to be certified by the Air Tanker Board, an inter-agency group, to show us that they can actually perform for fire-fighting purposes. That is to say, they can drop retardant or water in the way and in the place that they say they can drop them in the way that we need them to drop them.

And then lastly they'll have to be certified for us by safety purposes to make sure they're not just safe to fly generally but if they are reconfigured for the fire-fighting mission that they're safe to fly in that mission as well.

So far none of these new models has achieved all three of those certifications. Some are at the two-out-of-three stage of development. But we think probably a couple of them will be certified and are promising, and we're not ruling out, in fact we're encouraging, the companies that are working on that to continue on. We've told them if they can provide us with a new aircraft, particularly a purpose-specific aircraft for fire-fighting purposes, at a cost that's competitive, that we'll be happy to add them to our fleet. And that will be the rest of the next generation.

MODERATOR: Okay, thank you. Next question.

OPERATOR: Our next question comes from Michael Milstein (sp). Your line is open. Please announce your company name.

REPORTER: Hi. Michael Milstein from the Oregonian. We're likely to have a situation again this year where the state, at least the state of Oregon, is going to be contracting and hiring some of the planes that you've deemed unsafe or that you're not sure are safe for fire-fighting purposes. Last year there was some issue over whether the federal agencies were comfortable with those planes working on federal incidents.

What's the position on that this year?

SEC. REY: First, let me offer a clarification. It was the NTSB deemed them unsafe. Our job is to respond to the NTSB's recommendations to try to assure that they can be flown safely. And yes, there was a point of departure between one or a few states last year about their willingness to contract with aircraft that neither they nor we nor for my knowledge anybody else could certify be flown safely.

That will be less of a problem this year because some of the states have been able to acquire aircraft like the CL215s and CL415s that have already the required safety specification. It may continue to be a problem in other areas.

What we've said is that the states are free to fly them on state-managed fires as long as we're not bearing the responsibility in a federally controlled fire for putting an aircraft that we can't be sure can be safely flown in the air.

MS. HATFIELD: Although we do take into account that we might need those resources if there's an immediate threat to life or property. So we look at it holistically there in terms of what we can certify versus what might be needed in an emergency for life or property.

SEC. REY: As opposed to the routine operation of the aircraft in a normal mission environment.

MS. HATFIELD: Right. But the policy is essentially the same as we had last year.

MODERATOR: All right. Next question?

OPERATOR: Next question, from Mary Jo Pitsell (sp). Your line is open.

REPORTER: Yes. This is Mary Jo Pitsell with the Arizona Republic. Currently there's two P2Vs flying. Does today's announcement bring at nine to that for a total of 11, or does the nine include the --

SEC. REY: No. The nine is included with those two.

REPORTER: Okay.

SEC. REY: The two that are flying are flying with instrumentation to acquire the data.

REPORTER: Data?

SEC. REY: Much of which was data we used in arriving at the conclusion about how we could fly the remainder safely. They were also flying with restrictions. We would not allow them to fly over the wildland urban interface where there was a higher likelihood that if they did fail they would crash into a populated area.

Now once we complete this final inspection previously described, we'll take those restrictions off of these two and then subsequently bring the others into service as well.

REPORTER: And then one follow-up question. Will these remain based then in Missoula and Minden, or do they get moved around as the fire season moves around?

SEC. REY: They move around as the fire season moves around.

REPORTER: Do you anticipate any being staged in the very near future in the Southwest? And if so, where?

SEC. REY: I'd say since your fire season is just getting underway --

REPORTER: Yeah.

SEC. REY: -- that's a pretty good likelihood.

REPORTER: (laughs) Any idea where they might be staged?

SEC. REY: Not at this point. It would be one of the existing air tanker bases that we maintain in Albuquerque in New Mexico. We have one base in Albuquerque, one in Phoenix, one in Prescott (sp). I think those are the three. Do we have a Silver City base too or is that for small aircraft?

Tom Harbour: We operate out of Albuquerque, Williams Gateway, and Prescott. But the smaller aircraft operate at a variety of venues, and then the helicopters can go anywhere.

SEC. REY: As you might guess, if you need a longer landing strip for a large tanker than you do for a single-engine, fixed-wing tanker, and obviously you need a larger landing area for fixed-wing aircraft than you do helicopters. So as far as the large fixed-wing tankers are concerned, they'll fly out of Williams, Prescott or Albuquerque.

MODERATOR: Okay. Next question.

OPERATOR: Next question from Robin Struckman of the Missoulan. Your line is open.

REPORTER: Hi. How long is this contract? Like how many years?

SEC. REY: These contracts are negotiated each year. And they are of varying lengths and two different kinds because the air fleet is of different sizes during different parts of the fire season. And I'm glad you asked that question because it allows me to amplify on something that's important because people often compare what they had fighting fires in their vicinity in October versus what they see there in March, and there's no reason they should be the same.

Because we add equipment as the fire season gets more intense and demobilize equipment as it begins to fade. We don't keep the same number of planes in operation all year because there's no need to given the way the fire season moves around during the course of the year.

Also, we have some planes that we contract for exclusive use. That is, we hold the exclusive use to them while they're under contract, and they're not doing anything else. We have other assets that we signed contracts, other planes that we signed contracts for, call when needed. In those instances, they can be doing other work for other purposes, but because we have a 'call when needed' contract, if we call them they're contractually obliged to come immediately when we need them.

. MODERATOR: Okay, Moderator. Any other questions?

OPERATOR: At this time I am showing no further questions, sir.

MODERATOR: Okay. If there are no further questions, I'm going to turn it back our deputy assistant secretary of the Interior and the under secretary for any closing comments.

MS. HATFIELD: Just that, again we are pleased that these assets are going to be a part of our total resources to fight fire in the coming season, and believe that it will help us in terms of our flexibility about how that each fire is managed on the ground. And so that's the important part in terms of helping to keep our fire-fighters safe and do our job in the most efficient way we can.

SEC. REY: I'd just close by saying fire-fighting, particularly aerial fire-fighting, is an inherently high-risk business. With people who do it, perform an important public service, our job is to minimize that risk and to make it as safe as possible knowing that it's an inherently risky business.

So what we've done through the year now, nearly a year's worth of analysis, is assure our self to the extent that we can that these aircraft are safe to fly, meeting the NTSB recommendations. And we welcome these two contractors and these aircraft back to the fleet and back to the fight.

MODERATOR: Thank you very much for joining us this afternoon. Numbers for follow-up questions and the news releases should be posted on both Department of Agriculture and Department of Interior websites. Thanks again. Talk to you all soon.

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