**Before the Committee on Commerce,
Science, and Transportation
United States Senate**

# Key Issues Concerning Implementation of the Aviation and Transportation Security Act

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**

Chairman Hollings, Ranking Member McCain, and Members of the Committee:

I appreciate the opportunity to speak today on key issues concerning the implementation of the Aviation and Transportation Security Act (Act). The focus of our testimony today will be on aviation security. However, it is important to note that the Transportation Security Administration (TSA) is responsible for all aspects of transportation security, not just aviation security. Currently, all modes of transportation (transit, rail, motor carriers, coast guard, etc.) are performing risk assessments. In the months ahead, TSA will have to focus resources on addressing security across all modes of transportation.

The mission of creating a new Federal agency charged with ensuring security across all modes of the U.S. transportation system is a tremendously formidable task. Since passage of the Act, there has been a sea change set in motion - all with very short timeframes. As we reported to the House 2 weeks ago and reiterate today, thus far we have been impressed with the diligence and aggressiveness with which the Department and the new TSA have moved forward to meet the early deadlines established by the Act. Foremost accomplishments include:

- issuing screener qualifications and developing a training plan for aviation security screeners;
- issuing proposed procedures for airport and parking lot operators, and direct vendors to seek part of the $1.5 billion authorized to cover security costs;
- identifying and reporting to Congress on airspace security measures to improve general aviation security;
- issuing guidance for training programs to prepare crew members for potential threat conditions on passenger aircraft;
- issuing the final rule beginning the collection of the security fee effective February 1$^{st}$; and
- requiring air carriers to screen 100 percent of checked baggage using explosives detection equipment or alternative means, including positive passenger bag match.

Before the Act was passed, the Federal Aviation Administration (FAA) was working with the industry to reinforce all cockpit doors and to strengthen the Federal Air Marshal program. Since November we have been conducting "undercover audits" of security performance at airports nationwide, as requested by the President. We are briefing DOT, TSA and FAA officials on our results as we perform our work at airports across the country. We have seen that security has progressively improved and is clearly tighter today than before September 11$^{th}$. There are still alarming lapses of security, and the process of ensuring that these lapses do not recur is just one challenge that lies ahead.

Mr. Chairman, the next major milestone for TSA is less than 2 weeks away, when the agency will assume control of all screener contracts. However, the two most critical

deadlines still lie ahead.  The first is November 19th, when TSA must ensure that there are enough Federal screeners, Federal law enforcement officers, and Federal security managers in place to conduct the screening of passengers and property at all commercial airports.  The second is December 31st, when TSA must have a sufficient number of explosives detection systems in place to screen all checked bags.

Today, I would like to discuss three areas concerning aviation security: screening checked baggage, hiring and training the TSA workforce, and financing requirements of the Act.[1]

***Screening Checked Baggage.***  Air carriers are now required to screen 100 percent of checked baggage using either an FAA-certified explosives detection system (EDS) or an alternative method.  Because there are limited EDS units currently available, carriers are relying primarily on positive passenger bag match.  Based on our observations on January 18th and 21st at airports nationwide, we found high levels of compliance and minimal disruption of air carrier operations.  Positive passenger bag match at the point of origin represents a significant achievement, especially in light of the concerns air carriers have expressed over the years that it would be either difficult to do or impractical.

However, positive passenger bag match has limitations, and the gap in the process for passengers with connecting flights needs to be closed.  Positive passenger bag match currently applies only at the point of origin.  It does not apply to passengers' connecting flights.  The concern is not with the passengers who get on the connecting flight, but rather the much smaller percentage of connecting passengers who do not get on their connecting flight but their checked baggage does.  We understand the Department is considering ways to address this gap in positive passenger bag match procedures.

The airlines have expressed concerns that positive bag matching on connecting flights would create a logistical nightmare and could cause serious disruption at their hub airports.  We have not seen evidence to support their concern that positive passenger bag match cannot be done, albeit there may be some circumstances where it is not practical to do.  In our opinion, it could be advantageous to TSA, the industry, and the traveling public to initiate a pilot program of limited scope, perhaps 2 to 4 weeks at selected locations, to identify logistical issues and determine whether positive bag match on connecting flights is operationally feasible and under what circumstances.

Regardless, it is important to remember that positive passenger bag match will not prevent a suicidal terrorist from blowing up an aircraft by putting a bomb in his or her baggage, and it is not a permanent substitution for 100 percent EDS screening.  This is why Congress has required, and the Department is aggressively moving out to ensure,

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[1] Though not the subject of our testimony today, we recently completed a cargo security audit and shared our results with the Department.  We can share our results with members of Congress in an open or closed session, as appropriate.

that all checked baggage is screened through an explosives detection system by December 31, 2002.

TSA faces significant challenges in meeting this requirement. Currently, there is a gap between the number of certified EDS needed and what manufacturers can produce. Since October 1st, FAA has ordered 22 EDS machines, and so far 10 of those have been delivered, leaving a balance of 12 outstanding. These machines were ordered under existing contracts. Under a new solicitation in fiscal year (FY) 2002 that has not yet been awarded, TSA is preparing letter contracts for a total of 200 additional EDS machines. This is an important step. It will provide an opportunity for the manufacturers to ramp-up production and demonstrate their capability to meet the production requirements.

An equally important question is whether the number of EDS machines required to screen 100 percent of checked baggage can be installed in airport lobbies, and at the same time keep the aviation system running with a reasonable degree of efficiency. Given the rate that checked bags pass through an EDS machine, the number of alarms experienced by current technology, and the amount of bags checked during peak times at our large airports, all EDS machines cannot be installed in airport lobbies. Rather, TSA will almost certainly need to employ a variety of deployment strategies. Among the strategies being considered to meet the December 31st deadline are the integration of EDS machines into the baggage system, and, as an interim solution, use of a combination of explosives trace detection and EDS machines installed in the lobby.

The task of installing EDS machines will vary by each airport's physical plant and operations. This is why it is imperative that airport operators be key players in this process. TSA is aware of this and on February 1, 2002, TSA announced it will study security procedures and processes at 15 selected U.S. airports over the next 6 weeks. This step is of enormous importance because it begins the process of understanding how to reconfigure the lobbies and baggage systems at more than 400 U.S. airports so that 100 percent of the checked baggage will be screened effectively and efficiently by the end of the year.

Clearly, there are significant challenges associated with meeting the December 31st deadline. With all that needs to be done, we recommend TSA consider developing a plan in the next 60 days for at least the top 81 airports (Category X and I), detailing what equipment they will need, where the equipment will be installed, a timeline for accomplishing the installation, how passengers will be processed through the system, and potential effects on air carrier operation. In our opinion, this would be a logical step that builds on TSA's February 1st announcement and will help TSA in meeting the May 18th deadline for a report to Congress on a plan for deploying EDS at all airports.

As TSA installs EDS machines, it must ensure that the machines are continuously used to the maximum extent possible. Although we have seen a steady increase in utilization since November, the definition of "continuous use" is ambiguous and has led to wide-ranging interpretations resulting in many currently installed machines still being underutilized. These machines are capable of screening at least a 125 bags per hour in an operational environment. In that FAA estimates that 1 billion bags are checked each year, TSA must ensure maximize use of these valuable and expensive assets. Fully utilizing the installed machines will also assist TSA in determining how many machines are needed to screen 100 percent of checked baggage.

***Hiring and Training the Workforce.*** Another major challenge facing TSA is the hiring and training of a qualified workforce. Recent estimates indicate that TSA will need to hire at least 40,000 employees, including over 30,000 screeners, an executive team, law enforcement officers, Federal air marshals, and support personnel. TSA and FAA have expanded the Federal Air Marshal program for both domestic and international flights. Law enforcement personnel from several Federal agencies, including the OIG, have been selected and trained to augment the Federal Air Marshal program until TSA can recruit and train the necessary personnel. TSA has also hired an executive recruiting firm to assist it in hiring the initial 81 Federal Security Directors. These individuals will play a key role in hiring and training the screeners and law enforcement officers for their particular airports.

It is important to recognize that screeners do more than just screen passengers and their carry-on bags at screening checkpoints and boarding gates—they also screen checked bags. More screeners are needed to operate EDS machines in airport lobbies than to operate EDS machines integrated into the baggage system. Use of a combination of EDS and trace explosives detection devices to screen checked baggage will also require more screeners. Therefore, key to the number of screeners required is how many and what kinds of equipment are to be deployed at each airport.

Since airport screeners must now be U.S citizens, and able to speak and write English, a significant number of the current screening workforce may not qualify for screening positions with TSA. For example, at Dulles International Airport, it is estimated that up to 80 percent of the current screeners will not qualify for employment with TSA. There are no exact data on how many screeners in the current workforce will qualify for positions with TSA. However, this will have a significant impact on how quickly TSA can hire and train the needed screeners, and how quickly the agency can assume screening at airports.

***Financing Requirements of the Act.*** There are also tremendous budgetary challenges facing TSA for this year and next, and it is increasingly clear that the cost of good security will be substantially greater than most had anticipated. The cost implications are both in terms of capital costs for equipment and operating costs for personnel. Key

drivers are the sheer number of Federal screeners, Federal law enforcement officers, Federal security managers, and Federal air marshals that will be needed, as well as the pace and type of EDS installation.

Total capital costs for the EDS equipment could range between $1.9 billion and $2.5 billion. This does not include the cost to integrate EDS equipment at airports, which could exceed $2.3 billion. In addition we have seen estimates for FY 2002 operating costs ranging from $1.6 billion to $1.8 billion based on hiring, training, and deploying a Federal workforce of over 40,000 employees by the November 19th deadline. In contrast, TSA has a projected revenue for FY 2002 of between $2.0 billion and $2.4 billion. Clearly, a supplemental appropriation will be needed.

For FY 2003, operating costs for TSA's workforce could range between $2.7 billion and $3.3 billion, as the agency experiences its first full year of salary costs. However, revenue from the security fee and air carrier contribution will not be sufficient for FY 2003. The security fee is estimated to generate only about $1.7 billion in FY 2003 and the Department estimates that assessments from the carriers will only bring in around $700 million.

Given the pace of events since September 11th, it is understandable why there would be such substantial fluidity in the budget numbers. Now, an immediate task for TSA is to move out with dispatch in order to bring as much clarity as possible to its budgetary requirements for this year and next.

Credible budgetary requirements will help Congress and the Administration resolve the questions of who will pay for what and in what amount. Much confusion exists in these areas because there are many funding sources – some of which are appropriated and some of which are not. These include revenue from fees, direct appropriations, and airline contributions, as well as changes to how airports can use grant money and passenger facility charges.

Given the large budgetary requirements, it is important that TSA have good cost controls. Vendors are very aware of the immense amount of equipment that will need to be purchased. As TSA begins reviewing its capital needs, vendors are lining up with a vast amount and array of equipment, and TSA must sort through the claims and counter claims of vendors who believe their technology is the best for meeting the established deadlines. Given the large budgetary implications, it is imperative that TSA ensure that its acquisition process is free from fraud, waste, and abuse.

## I. Screening Checked Baggage

Effective January 18, 2002, air carriers with scheduled and public charter service are required to screen all checked baggage at airports throughout the United States. An FAA-certified explosives detection system is the preferred method of screening, but between now and December 31$^{st}$, air carriers have several options for screening checked baggage as an alternative to EDS machines. The options for non-selectees include:

- using non-certified advanced-technology equipment purchased by the FAA (there are currently 21 such machines in use at 9 airports by 8 air carriers);
- using explosives trace detection equipment assessed to be effective by FAA;
- physically searching bags;
- searching checked baggage using FAA-certified canine teams; or
- using a positive passenger bag match program, with a verifiable tracking system, that demonstrates that a passenger's checked baggage is not transported without the passenger.

***Positive Passenger Bag Match Increases Security, and Air Carriers' Implementation Is a Significant Achievement, But Gaps in Bag Matching at Connecting Airports Need to Be Closed***

Recent OIG observations found positive passenger bag matching is the primary method air carriers are using to screen checked baggage until sufficient explosives detection equipment is available. Currently, there are only 166 operational EDS machines at 52 U.S. airports. In order to gauge how air carriers are meeting the new requirement, we observed 147 flights at 14 airports involving 22 different air carriers on January 18$^{th}$ and 21$^{st}$. During our observations, we determined if all passengers were on the aircraft with their checked baggage, or waited at a baggage carousel to determine if any checked baggage arrived at the airport without a passenger.

We found high levels of compliance with minimal disruption of air carrier operations during our observations. The air carriers we observed predominantly used positive passenger bag match as the option to screen their passengers' checked baggage, with some checked bags also being screened using one of the other options (i.e., EDS, physical search, canine, etc.). While we found some exceptions on January 18th, we think the air carriers did a good job given this was the first day the requirement was in effect. We only recorded five noticeable delays on January 18th, meaning on the first day, 94 percent of the flights we observed were not delayed. We did not observe any noticeable delays on the January 21st.

It is important to note that the air carriers' positive passenger bag match programs do not "screen" checked baggage. Instead, positive passenger bag match ensures that the passenger who checked a bag or bags actually is on the flight with the baggage when the aircraft departs. If the passenger fails to board the aircraft, the air carrier must not load that passenger's checked baggage, or if already loaded, the baggage must be located and removed from the aircraft.

There are limitations to the effectiveness of the positive passenger bag match program, and one gap in the program needs to be closed. Positive passenger bag match currently applies *only at the point of origin*. It does not apply to passengers' connecting flights. In other words, if a traveler from Washington to Los Angeles has to transfer at Chicago, the bag match is only applied to the passenger for the Washington-Chicago segment. It is not applied to the passenger for the Chicago-Los Angeles segment. This gap needs to be closed, because by definition if the passenger is not on the same aircraft as his or her checked baggage then it is not a positive passenger bag match. We understand the Department is considering ways to address this gap.

The Bureau of Transportation Statistics (BTS) estimates that approximately 27 percent of all passengers are connecting passengers, based on a Passenger Origination-Destination Survey in 2000. The issue is with the small minority of passengers at connecting airports that never get on the connecting flight, but their baggage does. We do not know exactly how many passengers do not make their connections while their baggage remains on the flight. However, we do know that for some hub airports the majority of passengers on a flight are connecting passengers. For example, SalomonSmithBarney estimates, based on data for the year ended second quarter 2000, that nearly 68 percent of the passengers of a major air carrier at one hub were connecting passengers. These connecting passengers would not have their checked baggage subject to positive passenger bag match when departing the hub airport. This creates a higher risk for flights departing hub airports, which are the largest airports in the country.

We all agree that positive passenger bag match will not stop the terrorist willing to commit suicide, but it does represent a clear and significant improvement in checked baggage security over what was conducted before September 11th. However, it could be advantageous to both TSA, the industry, and the traveling public to initiate a pilot program of limited scope, perhaps 2 to 4 weeks at selected locations, to identify logistical issues and determine whether positive bag match on all connecting flights is operationally feasible.

Regardless of this outcome, it is also important to remember that positive passenger bag match will not prevent a suicidal terrorist from blowing up an aircraft by putting a bomb in his or her baggage, and that it is not a permanent substitution for 100 percent EDS screening. This is why Congress has required, and the Department is aggressively moving out to ensure, that all checked baggage is screened through an explosives detection system by December 31, 2002.

*EDS Screening of All Checked Bags by December 31st Will Be Challenging*

TSA faces significant challenges in meeting the requirement to screen 100 percent of checked baggage using explosives detection systems by the end of 2002. Production capability estimates have increased since December from 587 EDS machines to 2,260 EDS machines, but this still leaves a gap of about 700 machines. Both manufacturers need time to ramp-up their production, and delays in ordering could increase the gap between production capacity and the number of machines needed. Under a new solicitation in FY 2002 that has not yet been awarded, TSA is preparing letter contracts for a total of 200 additional EDS machines. This is an important step because this commitment by the Department will provide an opportunity for the manufacturers to ramp-up production and demonstrate their capability to meet the production requirements.

TSA must also get air carriers and airport operators involved in determining the installation plan for their airports – what type of equipment is needed, when it is needed, and where it will be installed. There is a fundamental concern with whether it is feasible to put the majority of EDS machines in airport lobbies. TSA is aware of this and recently initiated a study of security procedures and processes.

**Producing the Equipment.** Currently, there is a gap between the number of certified EDS machines needed and what manufacturers can produce. However, the size of the gap changes based on various scenarios.

FAA estimates that airline passengers check between 900 million and 1 billion bags each year. As of January 29th, only 182 FAA-certified explosives detection systems were installed at 54 airports. Of these systems, 166 were operational at 52 airports. Deployment of these systems began in 1997, and DOT has spent more than $300 million

on this effort, including the costs of installing systems. To meet the 100 percent screening requirement, FAA[2] estimates over 2,000 additional EDS machines will need to be installed in over 400 airports nationwide over the next year.

Currently there are only two vendors that make FAA-certified explosives detection systems, L-3 Communications and InVision Technologies. (A third vendor, PerkinElmer, has a machine that is pending FAA certification.) We have seen substantial swings in the estimated production capabilities of these two manufacturers. During our visits in December, they showed production plans for a combined capacity of only 587 machines by December 2002, leaving a gap of 1,400 machines. The Department hired a consulting firm to review how TSA could meet the 100 percent baggage screening requirement by December 2002. The consultant recently estimated that manufacturers could produce as many as 2,260 CTX 5500 or equivalent EDS units by year end, but estimated that 2,990 machines were required to meet the 100 percent screening, leaving a shortage of about 700 EDS machines.

The consultant recommends using a combination of EDS and explosives trace detection units to screen checked baggage to meet the December deadline. Using this method, the consultant determined that approximately 1,800 EDS would be required. Under this scenario, the consultant concluded that manufacturers could produce sufficient numbers of EDS and trace explosives detection units, with no shortage. The consultant looked at multiple implementation schemes, including integrating the equipment into the check-in process, integrating equipment into the baggage system, and screening bags in remote locations such as parking lots.

At the Department's request, both InVision and L3 Communications are working now to determine their ability to support even higher production rates. Their calendar year 2002

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[2]  FAA continues to work with TSA in meeting the requirements of the Act, until February 17th, when TSA takes over responsibility for all aviation security functions.

production rates are, however, dependent upon receiving orders. But both vendors need time to ramp-up their production. Since October 1st, FAA has ordered 22 EDS machines, and so far 10 of those have been delivered, leaving a balance of 12 yet to be delivered. These machines were ordered under existing contracts. Under a new solicitation in FY 2002 that has not yet been awarded, TSA is preparing letter contracts for a total of 200 additional EDS machines, but these 200 machines do not represent the maximum number to be procured under this solicitation. This is an important step because this commitment by the Department will provide an opportunity for the manufacturers to ramp-up production and demonstrate their capability to meet the production requirements.

The Department and TSA are continuing to work to identify ways to fill the gap between EDS units required and production capabilities. The EDS equipment we have today is certified because it has gone through a rigorous testing process to ensure its ability to detect explosives. Manufacturers of non-certified bulk explosives detection equipment might be able to fill the gap, but it should be recognized that this equipment is not certified for a reason: in some cases it cannot detect all of the threat explosives types. If non-certified equipment is used to fill the gap, it will eventually have to be replaced, probably at considerable additional costs and sooner rather than later, by more capable, certified equipment.

**Installing the Equipment.** Purchasing the equipment, especially EDS, is only half the battle. The equipment must also be installed, and this can take months to accomplish. Installing EDS machines in airport lobbies usually takes less time than integrating them into the baggage system, but requires more machines and more screeners.

EDS machines are big and heavy, requiring moderate to extensive reengineering, including floor strengthening. At many of our busiest airports, i.e. San Francisco and Dulles, check-in areas are long and narrow with very little room between the lobby

entrances and the ticket counters.  As TSA begins using these machines continuously or using trace units to screen checked baggage, additional lines will form in the airport terminal.

Currently, numbers as to how much equipment will be needed, where it will be installed, and how long it will take to put them in place, are all estimates.  We have the largest aviation system in the world, and screening 100 percent of the checked baggage (approximately 1 billion bags a year) will be a real challenge.  The question that must be answered is can this equipment be installed in airport lobbies, as opposed to integrating the EDS into the baggage system, and at the same time keep the aviation system running with a reasonable degree of efficiency.

Several airports around the world have explosives detection systems integrated into the baggage system, so that all baggage is screened.  However, no country is screening 100 percent of checked baggage, at an airport the size of our large hub airports, with explosives detection systems in the terminal lobby.  At Dulles, preliminary designs show that if you place all the EDS required to screen the checked baggage in the main terminal area, there is very little room left for passenger queuing.  In addition, since it has never been done, no one knows for sure if TSA and air carriers could move passengers through the check-in and screening process without significant adverse effects on air carrier operations.

Given the rate that checked bags pass through an EDS machine, the number of alarms experienced by current technology, and the amount of bags checked during peak times at our large airports, TSA will almost certainly need to employ a variety of deployment strategies.  It takes significantly more time to reconfigure an airport baggage system to accommodate one or more in-line EDS machines than to place an EDS in the airport lobby.  However, all EDS machines cannot be installed in airport lobbies.  Among the strategies being considered to meet the December 31st deadline are the integration of

EDS machines into the baggage system, and, as an interim solution, use of a combination of explosives trace detection and EDS machines installed in the lobby.

The task of installing EDS machines will vary by each airport's physical plant and operations.  This is why it is imperative that airport operators be key players in this process.  On February 1, 2002, TSA announced it will study security procedures and processes at 15 selected U.S. airports, over the next 6 weeks.  The results of the study will be used to achieve security improvements at all airports with commercial service.  This step is of enormous importance because it begins the process of understanding how to reconfigure the lobbies and baggage systems at more than 400 U.S. airports so that 100 percent of the checked baggage will be screened effectively and efficiently by the end of the year.

Clearly, there are significant challenges associated with meeting the December 31st deadline.  With all that needs to be done, we recommend TSA consider developing a plan in the next 60 days for at least the top 81 airports (Category X and I), detailing what equipment they will need, where the equipment will be installed, a timeline for accomplishing the installation, how passengers will be processed through the system, and potential effects on air carrier operation.  This would be a logical step that builds on TSA's February 1st announcement and will help TSA in meeting the May 18th deadline for a report to Congress on a plan for deploying EDS at all airports.

*EDS Equipment Must Be Fully Utilized*

TSA must ensure that the equipment that is deployed is used to the maximum extent possible.  We have repeatedly testified since 1998 about the underutilization of deployed EDS equipment.  FAA has calculated that significantly less than 10 percent of bags checked during 2000 were screened by an EDS machine.  Although the machines are far from being used continuously, we have seen a steady increase in utilization since our

testimony in November, when we reported that only 27 percent of the machines we observed were in continuous use.  As part of the Secretary's zero tolerance initiative, we have been observing the use of certified EDS machines nationwide.  Since November 13th, we have made 212 observations at 22 airports nationwide and found that now 57 percent of the machines we observed were in continuous use as required.  However, some machines are still underutilized.  For example, on January 18th during a 1-hour observation, 110 bags were checked by passengers, but only 15 of these bags were screened through the available EDS machine.

We also found that the definition of "continuous use" is ambiguous and has led to wide-ranging interpretations.  For example, at one airport we visited, air carrier personnel told us that continuous use is achieved when a bag runner is continuously searching for random bags and bringing them to a lobby-installed EDS.  While this might result in the continuous use of the runner, the EDS and its operators may be standing idle for several minutes waiting for the runner to bring the bag(s).  Therefore, some EDS are still not being used to the maximum extent possible.

To get a better indication of utilization, we were able to analyze the utilization data for 5 lobby-installed CTX 5500 machines at San Francisco from mid-December to late-January, and found the machines were screening on average between 503 and 1,038 bags per day.  We also reviewed utilization data for 9 L-3 eXaminers operating at 4 airports and found the machines were screening on average between 251 and 1,010 bags per day.  These machines are capable of screening at least 125 bags an hour in an operational environment.  In that FAA estimates that 1 billion bags are checked each year, TSA must make maximum use of these valuable and expensive assets, and ensure that there is a continuous stream of bags going through the equipment.

At each screening location, TSA officials will need to work with air carriers to ensure that a continuous stream of checked baggage is sent to the machines for screening.  Until

TSA screeners are in place, TSA will also need to monitor screening contractors to ensure they have sufficient trained staff available to properly operate the equipment.  On more than one occasion, we observed understaffed equipment with only one employee responsible for operating the EDS machine as well as resolving any alarms.  This resulted in the machine sitting idle while the operator manually searched or used trace units to resolve an alarm.

## II. Hiring and Training the Workforce

A major challenge facing TSA is the hiring and training of a qualified workforce.  Recent estimates indicate that TSA will need to hire and train over 40,000 employees, including over 30,000 screeners, an executive team, law enforcement officers, Federal air marshals, and support personnel.

TSA and FAA have expanded the Federal Air Marshal program for both domestic and international flights.  Law enforcement personnel from several Federal agencies, including the OIG, have been selected and trained to augment the Federal Air Marshal program until such time as TSA can recruit and train the necessary personnel.  TSA has also hired an executive recruiting firm to assist it in hiring the initial 81 Federal Security Directors.  These individuals will play a key role in hiring and training the screeners and law enforcement officers for their particular airports.  TSA has issued new airport screener qualifications, which require employees to be U.S. citizens and to speak and write English.  They also require screeners to have a high school diploma, a general equivalency diploma, or one year of any type of work experience that demonstrates the applicant's ability to perform the work of the position.

It is important to recognize that screeners do more than just screen passengers and their carry-on bags at screening checkpoints and boarding gates—they also screen checked bags.  More screeners are needed to operate EDS machines in airport lobbies than to

operate EDS machines integrated into the baggage system. Use of a combination of EDS and trace explosives detection devices to screen checked baggage will also require more screeners. Therefore, key to the number of screeners required is how many and what kinds of equipment are to be deployed at each airport.

TSA does not expect to begin taking screener applications until March or April, with the heavy emphasis for hiring starting in May and working through the summer. Assuming TSA does not begin hiring and training until May, it would need to hire and train approximately 5,000 screeners per month from May through October in order to have 30,000 screeners hired, trained and on the job by the November 19th deadline.

Before TSA establishes a workforce, it must assume the current screening company contracts from the air carriers by February 17th. TSA will then have to oversee these contractors until TSA screeners are hired and trained. Since airport screeners must now be U.S citizens, and able to speak and write English, a significant number of the current screening workforce will not qualify for screening positions with TSA. During the transition, it will be a challenge for TSA to motivate the contractors and screeners who will not be picked up by TSA. For example, it is estimated that at Dulles International Airport up to 80 percent of the current screeners will not qualify for employment with TSA. It is clear that TSA is trying to address this by setting employment requirements that will allow it to hire as many current screeners as possible. However, it is unknown how many current screeners will qualify for the new positions. In addition, as the Secretary's zero tolerance initiative has shown, dangerous items continue to get through screening checkpoints and onto aircraft, so even current screeners that remain will need additional training to bring their performance up to an acceptable level.

TSA used private industry and academia as well as individuals from other Federal agencies to develop its Training Plan for Airport Security Screeners, issued January 18th. This training plan envisions airport screeners receiving 40 hours of classroom training,

followed by 60 hours of on-the-job training. TSA intends to measure screener performance throughout the training process with examinations to track performance. Once a screener has worked in the airport environment for at least 6 months and demonstrated his or her skills through achievement examinations and/or skills tests, TSA plans to issue the screener a TSA certification.

Once a screener is certified, TSA plans to provide recurrent training and testing to ensure screener performance remains at an acceptable level. TSA will use a learning management system to track the progress and performance of all airport screeners. TSA can employ, appoint, discipline, terminate and fix the compensation, terms and conditions of Federal service for individuals carrying out the screening functions. In addition, the Act does not require TSA to give airport screeners normal job protections afforded to regular Federal employees, and screeners could be fired for not doing their job. We do not know at this time how TSA intends to implement or use this authority, as it has not established the performance standards that screeners must meet as a condition of employment.

## IV. Financing Requirement of the Act

There are tremendous budgetary challenges facing TSA for this year and next, and it is increasingly clear that the cost of good security will be substantially greater than most had anticipated. The cost implications are both in terms of capital costs for equipment and operating costs for personnel, which will be driven by the sheer number of Federal screeners, Federal law enforcement officers, and Federal security managers that will be needed.

In terms of capital costs, the requirement that all checked bags undergo EDS screening by December 31, 2002, carries a large price tag. However, the estimates vary widely depending on the mix of equipment and personnel used. FAA estimated that

approximately 2,000 certified EDS machines at a cost of around $2.5 billion would be needed in order to screen 100 percent of checked bags with certified EDS equipment. This estimate does not include the additional costs to integrate the equipment at the airports, which could exceed $2.3 billion depending on the nature and type of structural changes required to install EDS.

Other options are being considered, however. For example, TSA is looking into using a higher percentage of trace units in airport lobbies in lieu of using all 2,000 EDS machines. This option would have lower estimated equipment costs ($1.9 billion) but would require a much higher number of screeners to operate.

Regardless of the mix TSA uses, it is clear that the agency will need additional funding to purchase the necessary security equipment – so far only $293 million has been appropriated in FY 2002 for EDS equipment. However, the ultimate funding needs of TSA will be most affected by who assumes the costs of integrating the equipment—airports or TSA—and how it will be paid for. This is especially relevant for determining who will pay the costs of integrating certified EDS equipment into airport baggage systems.

In terms of operating costs, the costs of salaries, benefits, training, and overhead of an organization that will exceed 40,000 employees are significant. However, determining the cost is dependent, in part, on the mix of equipment that TSA ultimately will use to meet the December deadline. We have seen estimates that TSA's operating costs in FY 2002 could range from $1.6 billion to $1.8 billion based on hiring, training, and deploying a Federal workforce of over 40,000 employees by the November 19th deadline.

However, those operating cost estimates are only for part of the year, assuming that hiring of screeners would begin in May. Costs will be substantially higher when TSA

must pay salaries for a full year. For FY 2003, operating costs for TSA's workforce could range between $2.7 billion and $3.3 billion.

Given the wide range in possible costs, TSA needs to bring clarity to its financial needs for FY 2002 and 2003. The Aviation and Transportation Security Act set out a variety of sources for funding security needs. These include revenue from fees, appropriations, and airline contributions, as well as changes to how airports can use grant money and passenger facility charges. However, it is unclear who will pay for what and in what amount.

Congress created a new passenger security fee of $2.50 per flight segment with a maximum of $5.00 per one-way trip or $10.00 per round trip. Based on the latest projected enplanements for FY 2002, this fee could generate about $1.0 billion this year and as much as $1.7 billion in 2003.

Congress also provided the Under Secretary of Transportation Security with the authority to impose a fee on air carriers in case revenues from the new security fee are insufficient to meet the needs mandated by the Act. However, Congress capped that fee at the total amount spent by air carriers for screening passengers and property in calendar year 2000.

As shown on the chart below, we estimate that TSA currently has funding of about $2.0 billion to $2.3 billion for operating and capital costs in FY 2002. That funding consists of revenue generated by the new security fee and FY 2002 initial and supplemental appropriations. The differences in the revenue estimates are based on whether a fee is imposed on air carriers and, if so, how much. The Department has estimated that the airlines spent upwards of $700 million for screening in calendar year 2000. Our estimates assume no contribution from the airlines to as much as $300 million, assuming that collections begin in May and are apportioned as required by

the Act ($700 million x 5/12). TSA is in the process of preparing a rule to obtain actual 2000 costs from the air carriers.

## TSA Funding Sources for FY 2002[3]

($ in millions)

| FY 2002 | Low | High |
|---|---|---|
| Security Fee | $1,038 | $1,038 |
| Airline Contribution | $0 | $300 |
| FY 2002 Appropriations for Civil Aviation Security | $150 | $150 |
| FY 2002 First Supplemental | $452 | $452 |
| FY 2002 Second Supplemental | $100 | $100 |
| **Subtotal: Operations Funding** | **$1,740** | **$2,040** |
| | | |
| FY 2002 Appropriations for EDS | $97 | $97 |
| FY 2002 Supplemental EDS | $196 | $196 |
| **Subtotal: EDS Funding** | **$293** | **$293** |
| **Total Funding** | **$2,033** | **$2,333** |

Mr. Chairman, clearly TSA's costs substantially exceed revenues, and Congress should expect a request for a supplemental appropriation. For TSA's part, the agency needs to develop its plan for meeting the December deadline and deliver credible cost estimates, so that Congress and the Administration can determine how these additional costs can be funded. The means for bridging this gap need to be clarified—whether it is accomplished through airline contributions, additional fees, grants-in-aid to airports, passenger facility charges, and/or appropriations. There is significant confusion over who will pay for what, in what amount, and from what funding source.

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[3] In the FY 2002 Appropriations for the Department of Transportation, Congress provided $1.25 billion from the General Fund for the TSA. However, Congress stipulated that the amount is to be offset by any collections from the new security fee and, as a result, cannot result in any actual expenditures from the General Fund.

As TSA reviews and purchases new aviation security technology, it must avoid the potential pitfalls of purchasing a significant amount of equipment that will not fit into the ultimate security structure. When purchasing and deploying equipment, TSA needs to evaluate the cost, effectiveness, maturity, and efficiency of each type of equipment to ensure it gets the highest pay-off in improved security for the funds spent.

Given the large budgetary requirements, it is important that TSA have good cost controls. Vendors are very aware of the immense amount of equipment that will need to be purchased. As TSA begins reviewing its capital needs, vendors are lining up with a vast amount and array of equipment. Given the extremely tight timeframes and the large budgetary implications, it is imperative that TSA ensure its acquisition process is free from fraud, waste, and abuse.

This concludes my statement. I would be pleased to answer any questions.