

## **MISSION STATEMENT**

The Department of Transportation (DOT) relies heavily on the financial data reported on Form 41 to fulfill its strategic plan. DOT needs to monitor and study the movement of aircraft and passengers in this new information age. DOT is committed to guide and oversee America's air transportation system today and into the future by taking note of statistical trends caused by globalization of the economy, the rise the knowledge economy, and the pervasive nature of the information revolution.

Four economic trends impact transportation: (1) the globalization of commerce, (2) a growing attention to logistics in the production process, (3) a greater reliance on private investment in transportation industry, and (4) the rise of competing and complementary technologies. The accelerated application of advanced information technologies, competitive techniques, and traffic flow information systems affect the transportation industry. Adoption of these information-related technologies will facilitate the collection, management, integration, and distribution of more transportation information in less time with better accuracy and broader application.

DOT's information systems are being integrated into an agency-wide transparent support system. Reflective of this one DOT approach in meeting the challenges faced by our national transportation system is a coordinated effort by the Office of the Secretary, the Federal Aviation Administration, the Bureau of Transportation Statistics (BTS), and Office of the Inspector General Office to advance consumer satisfaction.

BTS has advanced the precepts of the Clinger-Cohen Act and the Paperwork Reduction Act by re-engineering its data processing system. BTS is responsible for planning, managing, and maximizing the results of its IT investments. In this process, BTS is committed to working with its transportation partners to ensure the successful transition of its Information Technology (IT) systems. BTS' objectives are to improve the quality, reliability and accessibility of transportation-related information. BTS' resources will also be used to mitigate the paperwork burden imposed on the air transportation industry and the public.

## SUPPORTING STATEMENT

### A. Justification

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.**

The Secretary of Transportation is required by 49 U.S.C. § 329(b)(1) to collect and disseminate information on civil aeronautics. Other laws or acts which allow or require DOT to collect airline data to accomplish program or policy objectives are: 49 U.S.C. §§ 1153, 41708, 41709, and 41738, and the International Air Transportation Competition Act of 1979. Also the United States is obligated to provide certain aviation data to the International Civil Aviation Organization, an arm of the United Nations, to fulfill an international treaty obligation.

**2. Indicate how, by whom, and for what purpose the information is to be used. Indicate the actual use the agency has made the information received from the current collection.**

All Form 41 reports are now submitted over the internet to a secure website.

14 CFR Part 241 requires large certificated air carrier to submit, among other data elements, financial data to DOT. The data reports are Income Statement, Balance Sheet, Inventory of Airframes and Aircraft Engines, Statement of Cash Flows, Statement of Operations, Notes to Form 41, Aircraft operating Expenses, Interim Operations Report, Operating expenses by Objective Groupings, Operating Expenses by Functional Groupings, Employment Statistics by Labor Category and Fuel Consumption by Type of Service and Entity.

The number of reports that a carrier is required to submit varies depending on the size (annual revenues) and type of service (geographic areas) provided by the air carrier.

## **PROGRAM USES**

### Initial and Continuing Air Carrier Fitness

Fitness determinations are made for both new entrants and established U.S. air carriers that propose a substantial change in their operations. Carriers must submit an operating plan for its first year of operations and project their revenues and expenses. These estimates are compared against the cost data in the Form 41 reports data base to validate the reliability of the carrier's operating plan.

The quarterly financial submissions by established air carriers are used in determining continuing fitness. DOT reviews three areas of a carrier's operation: (1) the qualifications of the management team, (2) the company's disposition to comply with laws and regulations, and (3) the company's financial posture. DOT must be able to determine that a carrier has sufficient financial resources to conduct its operations without imposing undue risk on the traveling public. Moreover, once a carrier is operating, DOT is required to monitor its continuing fitness.

Form 41 financial data are reviewed in connection with an air carrier's financial condition as evidenced by reported losses, consumer complaints about cancelled flights and problem receiving refunds. Form 41 plays a major role in the identification of problem air carriers. Data comparisons are made between current and past periods to assess the financial position of the air carrier. Financial trend lines are extended into the future to analyze the continued viability of the carrier.

### Safety Analysis

The FAA uses Form 41 financial data as an important safety indicator and to prepare the air carrier operational forecast that is used in developing its budget and staffing plans, facility and equipment funding levels, and policy studies. The FAA monitors changes in the carriers' financial well being as one aspect in making decisions as to increased safety surveillance.

### International Negotiations

In determining the potential for profitable international routes, cost based data by geographic area are broken down by aircraft type, length of haul, and type of carrier to compute break-even load factors.

### International Carrier Selection Cases

In carrier selection cases, the carriers include an operating plan containing proposed pricing and detailed costs. Current and historic Form 41 cost data for carriers with the same aircraft type, type of service, length of haul are used to validate the plan. This review provides evidence of whether the proposed fare levels are credible. DOT places maximum reliance on competitive market forces and on actual and potential competition to provide the needed air transportation, to encourage efficient and well-managed carriers to earn adequate profits and attract capital to encourage innovation and low fares.

### Review of International Air Transport Association (IATA) Agreements

The U.S. carrier members of IATA are required to submit detailed economic justifications in support of all major IATA agreements in which they participate. Form 41 data are used to perform a return-on-investment analysis to determine revenue need and to resolve specific cost contentions and other issues raised by carriers, shippers or travelers.

### Submission of U.S. Data to International Civil Aeronautics Organization (ICAO)

The United States has a treaty obligation to supply certain individual U.S. carrier operational and financial data to ICAO. Over 95% of the data sent to ICAO is extracted by BTS from the carriers Form 41 reports submitted to DOT.

### FAA Air Carrier Certification

The FAA promotes aviation safety by establishing criteria for air carrier certification. The FAA analyzes proposals from companies applying for certification by comparing the proposal to industry financial reports from established carriers that operate similar services.

### Safety Forecasting and Regulatory Analysis

The FAA conducts cost benefit reviews to assure that the proposed safety regulations will be economically beneficial to society and to determine the impact on small business. Also, the FAA performs economic analysis necessary to implement and/or review the plans for NPIAS, the National Airspace Review, and National Airspace System.

## War Air Services Program (Emergency Preparedness)

Under the War Air Service Program, the FAA develops an official airline guide to establish air carrier booking priorities in the event of a national emergency. The FAA uses the Form 41 Inventory of Airframes to identify available aircraft by type of aircraft for use in this program.

### Department of Commerce

The Bureau of Economic Analysis (BEA) uses Form 41 data in preparing the input-output accounts which trace the purchases and sales amongst all industries in the economy and serve as the benchmark for the estimates of the gross domestic product.

BEA uses total operating revenue data from Form 298-C, Schedule F-1 to prepare its output estimates for the benchmark input-output (I-O) accounts. In addition, data on total operating expenses are used to review estimates for benchmark I-O accounts. The I-O accounts, in turn, serve to benchmark the estimates of gross domestic product.

### Department of Justice (DOJ)

DOJ conducts antitrust analysis on airline mergers, acquisitions and agreements when the transaction has the potential to substantially reduce competition. Form 41 data are used to review the current and potential levels of competition.

### Department of Energy (DOE)

DOE uses air carrier fuel data in monitoring industry fuel consumption for emergency preparedness.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submissions of responses, and the basis for the decision for adopting this means of collection. Also, describe any consideration of using information technology to reduce burden.**

The Research and Innovative Technology Administration's Bureau of

Transportation Statistics issued a final rule which was published in the 75 Federal Register, No. 136, page 41580 on July 16, 2010 that requires reporting carriers to submit their recurrent reports to the Department via the internet using a comma separated values format. Carriers are able to use their browsers to upload the reports into the new system. 100% of the carriers submit the requested data via the internet using their browsers.

**4. Describe efforts to identify duplication. Show specifically why similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

The Securities and Exchange Commission (SEC) collects similar data from publicly held companies, but it does not duplicate the Form 41 report. The Office of Aviation Information has analyzed alternative sources, such as, data collected at the air control airports and centers, by Arinc, and SEC filings. These sources were inadequate in providing consistent, complete and timely data that DOT needs to administer its aviation programs.

DOT identified the following flaws in the possible alternate data sources. Not all carriers use Arinc services. SEC reports are based on fiscal accounting periods which may negate comparisons between carriers, groups of carriers, and total industry. SEC filings are made by holding companies on a consolidated basis, which may include non-aviation operations such as hotels, rental cars, etc., along with the air transportation operations. It would be difficult, if not impossible, to perform meaningful economic analysis concerning air transportation when the numbers include other economic pursuits. SEC reports are not detailed to show revenues and expenses by geographic entity. This breakdown by entity is crucial for establishing foreign fare levels for Atlantic, Pacific, and Latin America sectors. SEC revenue and expense data are reported in broad categories. DOT needs the breakout of expense categories for ratemaking purposes. Only publicly held companies submit SEC reports. Less than half of the airlines that report to DOT submit SEC reports.

**5. If the collection of information impacts small businesses or other small entities, describe efforts to minimize burden.**

This collection does not impact small businesses or other small entities.

**6. Describe the consequence to the Federal Program or policy activities if the collection were not collected or conducted less frequently.**

Less frequent filing of on-time data would not reduce reporting burden. Airlines collect data on an individual ticket sold. Less frequent reporting would not change this practice. Data can become stale over time and lose its usefulness.

If Form 41 financial data were not collect:

- 1) DOT would lack data to make sound proposals when engaged in international negotiations;
- 2) There would be no comparable data to judge or analyze initial or continuing fitness;
- 3) FAA would lack data to conduct safety analyses;
- 4) DOT would lack the data to evaluate the status of the aviation industry;
- 5) DOT would not be able to readily identify the whereabouts of aircraft for the War Air Services Program (Emergency Preparedness);
- 6) DOT would have to require ad hoc reports to make environmental impact analyses;
- 7) DOT would have to require ad hoc reports to update Alaskan mail rates;
- 8) DOT would lack data for policy studies;
- 9) DOD would require addition data for rate-making purposes for the Civil Reserve Fleet Program;
- 10) Additional data would be required to meet the US treaty obligation of supplying ICAO with aviation data.
- 11) Department of Commerce would lack the aviation data for calculating the industry's portion of the Gross Domestic Product;
- 12) Department of Commerce would need additional data to analyze International Trade Accounts
- 13) The Department of Labor would require addition data to produce its Productivity Studies and Indices;
- 14) DOE would lack data to analyze the airline industry's fuel consumption for Emergency Preparedness planning; and
- 15) DOJ would require would require additional data to conduct antitrust analyses.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of**

- information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, government contracts, grant-in-aid, or tax records for more than 3 years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
- **requiring the use of statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
- **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

There are no special circumstances that pertain to this data collection.

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the Agency's notice, required by 5 CFR 1320.8(d) soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to the notice and describe actions taken by the agency in response to these comments.**

A 60-day notice announced that DOT was seeking a 3-year extension to the Form 41 reporting requirements was published in 76 FR page 4992 on January 27, 2011. The Department of Commerce's Bureau of Economic Analysis commented that the data collection should continue.



**9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.**

There were no payments or gifts to respondents.

**10. Describe any assurances of confidentiality provided to respondents.**

There are no guarantees of confidentiality.

**11. Are there any questions of a sensitive nature?**

There are no questions of a sensitive nature.

**12. Provide estimates of reporting burden.**

DOT estimates that 76 air carriers will report Form 41 data. These carriers will average 90 reports per year at 4 hours per report for an annual reporting burden of 27,360 hours

**13. Provide an estimate of cost to the respondents. Do not include the cost of any hour burden shown in items 12 and 14. General estimates should not include purchase of equipment or services or portions thereof made prior to October, 1995.**

There are no other costs associated with this data collection.

**14. Provide estimates of annualized cost to the Federal Government.**

Cost to the Government is estimated to be about \$10,000 per year (GS-12 at \$30 per hour multiplied by 333 hours per year). This estimate is comprised of allocation of staff time to log in receipt of the carriers reports, compilation of the data.

**15. Explain the reasons for any program changes or adjustments in Items 13 or 14 of OMB 83-I.**

The only change is the number of reporting carriers dropping from 82 to 76 due to mergers or acquisitions.

**16. Is the information received published?**

Yes. The information may be downloaded from BTS web site.