recent on-the-job experience in their respective fields.

The potential cost of the recency of experience requirement is the reduction at any given time in the number of first-time candidates available for these positions. This is because some first-time candidates may have to acquire additional years of experience if they do not have it at the time that they are being considered for a Director position. It is extremely difficult to project how many future first-time Director candidates will be affected by the final rule. However, this will have little if any effect on an operator's ability to find potential applicants to fill a Director position. This is for three reasons. First, the FAA contends that the number of potential candidates who do not meet the recency of experience requirement both now and in the future is small in relation to the total number of potential applicants for a Director position. Second, the FAA contends that the supply of existing personnel who would qualify for a Director position, plus those who are already a Director, is sufficient to keep wages from increasing as a result of the new qualification requirements. Further, the new requirements are not substantive enough to cause wages to increase. Third, operators can always request authorization from the FAA to hire an applicant who has comparable experience. For the initial upgrade to part 121, the FAA will approve these authorizations to the extent practicable. Thus, the FAA contends that the final rule will not impose a hardship on operators in having enough potential qualified applicants to fill the Director positions.

Director of Safety. This is a new position for part 121 but the FAA contends that this position will impose little if any additional cost to operators. The rationale for this assessment is based on two factors: (1) There are no eligibility requirements for the Director of Safety so virtually anyone can be designated as such; and (2) most operators already have a Director of Safety or the equivalent.

Chief Inspector. For existing part 135 commuter operators who will now operate under part 121, the position of Chief Inspector will be new. The FAA contends that this requirement will impose little if any additional cost. Many part 135 operators already have personnel that are the equivalent of a Chief Inspector. The operator may petition the Administrator to combine positions or request authorization to appoint someone who has comparable experience. For the initial upgrade to part 121, the FAA will consider these requests on a case-by-case basis.

On-Demand Operators Conducting Scheduled Operations. Under part 135, on-demand operators will be allowed to conduct up to four scheduled operations a week and still remain an on-demand operator. There is no such allowance in part 121. Thus, if a current on-demand operator conducts even one scheduled passenger flight with a 10-to-30-seat airplane, then that airplane must be upgraded to and the operation flown under part 121. The FAA has identified 5 airplanes in the current fleet with 10 to 19 seats that are used by on-demand operators in scheduled service. To bring these airplanes up to the part 121 standards will cost approximately $1.73 million ($1.18 million, present value). The components behind this estimate are provided below (explanations of these costs components are provided in their respective sections).

C. Benefits

The commuter segment of the U.S. airline industry is a vital and growing component of the nation's air transportation system. Commuter airplanes transport passengers between small communities and large hubs, and they play a vital role in transporting passengers over short distances, regardless of airport or community size. In many cases, they are a community's only convenient link to the rest of the nation's air transportation system.

Over the past 15 years, the size of the commuter industry has grown considerably. In 1993, for example, enplanements for commuter carriers grew by over 10 percent, far outpacing the one percent growth of enplanements on larger carriers. Forecasts of commuter industry activity give every indication that growth in this segment of the airline industry will continue to be robust during the next 15 years.

Many commuter carriers operate in partnership with large air carriers, providing transportation to and from hub locations that would be unprofitable with larger airplanes. These partnerships frequently operate within a seamless ticketing environment, in which the large carrier issues a ticket that often includes a trip segment on a commuter airplane. As these relationships between large carriers and commuter airlines continue to grow, it will become more common for the average long distance flyer to spend at least one flight segment on commuter airplanes.

The combined effect of a continuing growth in the commuter industry and the ever growing relationship between large carriers and their commuter counterparts will progressively blur the distinction between commuter carriers and larger air carriers. In other words, passengers will no longer readily distinguish between one type of carrier and another, but will simply view each component as a part of the nation's air transportation system. It is imperative, therefore, that a uniform level of safety be afforded the traveling public throughout the system. Air carrier accidents, perhaps more than accidents in any other mode, affect public confidence in air transportation.

What is the public value or benefit of air transportation? It would be nearly impossible to calculate something that has been so widely accepted in the American lifestyle. One figure that represents the very least value the public places on traveling by air is the annual amount the public spends on air transportation, or in other words, annual air carrier revenues. In 1994, the FAA estimated that amount to be $88 billion. If public confidence wavers by only one percent, annual total air carrier revenues would be reduced by $880 million, which is a minimum dollar estimate of the cost that would be experienced by the public in terms of being denied a fast, safe means of transportation.

Some studies have been done to measure the effect of change in public confidence. In 1987, the FAA studied the impact of terrorist acts on air travel on North Atlantic routes. The study investigated the relationship between the amount of media attention given to a specific terrorist act and reductions in air traffic. The study concluded that there was a measurable, short-term, carrier-specific correlation between the two. Following a well-publicized incident, ridership on the carrier experiencing the incident dropped by as much as 50 percent for a few months. In another instance, a major air carrier reported that two catastrophic accidents in 1994 resulted in a half-year-revenue loss to that carrier of $150 million. These examples relate to carriers operating large airplanes, but they illustrate how the prevailing level of public confidence can affect the public use of air transportation.

It is clear that the American public demands a high degree of safety in air travel. This is manifested by the large amount of media attention given to the rare accidents that do occur, by the short term reductions in revenues carriers have experienced following accidents or acts of terrorism, and by the pressure placed on the FAA as the regulator of air safety to further reduce accident rates.