that such a proposal would impose substantial costs, and that these costs would outweigh any potential benefits. Consequently, the current proposal was established, which uses some of the elements of this original proposal.

This alternative would afford operators three options for scheduling their reserve pilots but does not address the fatigue problem for pilots who are not on reserve status. The three options for scheduling reserve pilots are as follows:

Option 1: The certificate holder provides a minimum of 10 hours of advance notice of reporting time for flight duty.

Option 2: The certificate holder provides 8 hours of rest each 24 hour period of reserve duty. The 8 hours of rest must be assigned prospectively and remain constant for the duration of the reserve assignment.

Option 3: For each 24 hour period of reserve duty the flight crewmember is limited to 18 hours of eligibility for flight duty, with the remaining 6 hours being set aside for rest.

The potential annual compliance costs for the part 121 scheduled carriers were estimated at \$225 million on an annual basis based on the assumption they would have to increase their pilot staffing by 4%. The second most heavily affected sector of the industry was the air taxi operators, who indicated they would have to increase their pilot staffing by 74%, resulting in potential annual compliance costs of \$175 million. The FAA estimated that commuter operators would increase their pilot staffing by 5% in order to avoid disrupting their flight schedules, resulting in potential annual compliance costs of \$24 million. Finally, the annual compliance cost for the part 121 unscheduled operators was estimated at \$11.5 million.

The total annual cost was estimated to be \$436 million for the air carrier industry. These costs would not be offset by any cost savings because of the limited nature of this alternative (i.e., applies only to reserve pilots). In addition, this alternative would have a considerably lower potential for preventing accidents than the proposal for the same reason. The FAA therefore concluded that this alternative would not be cost beneficial.

Initial Regulatory Flexibility Determination

The Regulatory Flexibility Act of 1980 (RFA) requires Federal agencies to review rules that may have "a significant economic impact on a substantial number of small entities."

Under FAA Order 2100.14A, the criterion for a "substantial number" is a number that is not less than 11 and that is more than one third of the small entities subject to the rule. This rule would primarily affect part 121 and 135 operators. For operators of aircraft for hire, a small operator is one that owns, but not necessarily operates, nine or fewer aircraft. The FAA's criteria for "significant impact" are \$4,600 or more per year for an unscheduled operator, \$119,900 or more per year for a scheduled operator whose airplane fleet has over 60 seats, and \$67,000 or more for other scheduled carriers.

A. Initial Regulatory Flexibility Determination

The present value cost savings of the proposed rule over the 10-year study period would be \$1.20 billion for the part 121 scheduled carriers or \$148.47 million annualized at 7%. Based on a total fleet of 3,429 airplanes for these air carriers, the projected annualized cost savings of this rule would be \$43,298 per airplane. Given the threshold annualized cost of \$119,900 for a small part 121 scheduled operator, the FAA estimates that the proposed rule would have a significant economic impact on any operator owning 3 or more aircraft but less than 10 aircraft. However, there are only 7 small operators in this category. Since this is less than 11, a substantial number of these entities would not be affected.

The present value of the net costs of the proposed rule over the 10-year study period would be \$139.56 million for the part 121 unscheduled carriers or \$19.82 million annualized at 7%. Based on a total fleet of 557 airplanes for these operators, the projected annual cost of this rule would be \$42,747 per airplane. This exceeds the cost threshold of \$4,600 per unscheduled operator for all small operators in this sector of the industry.

The present value of the cost savings of the proposed rule over the study period has been estimated at \$50.68 million for the part 135 scheduled carriers or \$7.2 million annualized at 7%. Based on a total fleet of 950 airplanes for these operators, the projected annual cost of this rule would be \$7,579 per airplane. Given the threshold annualized cost of \$67,000 for a small commuter operator, the FAA estimates that an operator would need to own exactly 9 airplanes in order to incur a significant economic impact. As there is only one part 135 scheduled carrier with 9 airplanes, the FAA concludes that a substantial number of small entities in this sector of the industry would not be significantly affected by the proposed rule.

The FAA requests comments from small air taxi operators regarding the potential economic impacts of this proposed rule on their operations. Would additional pilots be required to maintain the current scope of their operations?

B. Initial Regulatory Flexibility Analysis

As the proposed rule would have a significant economic impact on a substantial number of small part 121 unscheduled operators, an initial regulatory flexibility analysis has been prepared. This analysis assures that agencies have examined selected regulatory alternatives that could minimize the economic burdens of the proposed rule on small entities. As delineated in section 603(b) of the RFA, this initial regulatory flexibility analysis is required to identify: (1) the reasons why the agency is considering this action, (2) the objectives and legal basis for the proposed rule, (3) the kind and number of small entities to which the proposed rule would apply, (4) the projected reporting, record keeping, and other compliance requirements of the proposed rule, and (5) all Federal rules which may duplicate, overlap or conflict with the proposed rule. This section of the RFA further requires that each initial regulatory flexibility analysis contain a description of any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and which minimize any significant economic impact of the proposed rule on small entities.

1. Why the Agency Action is Taken

The main reason for the NPRM is that the FAA Administrator, when prescribing safety regulations, is required by statute to consider "the duty of an air carrier to provide service with the highest possible safety in the public interest." The FAA has determined that the most appropriate way to meet this statutory mandate is to ensure that flight crewmembers are provided with the opportunity to obtain sufficient rest to perform their routine and emergency safety duties. The need for this rulemaking is supported by studies on pilot fatigue conducted by NASA, anecdotal evidence of the problem contained in pilot reports submitted to the Aviation Safety Reporting System, and the complexity and age of the current flight duty and rest period restrictions.

2. Objective of and Legal Basis for the Proposed Rule

The objective of the proposed rule is to increase safety in passenger- and cargo-carrying operations, both scheduled and unscheduled. The proposed rule would also clarify and