

and the FAA will receive information on approved programs either directly from the TSA or through reporting requirements placed on operators. A formal process for either of these alternatives will be established to assure compliance by affected operators.

Regulatory Evaluation Summary

Changes to Federal regulations must undergo several economic analyses. First, Executive Order 12866 directs each Federal agency to propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs. Second, the Regulatory Flexibility Act of 1980 requires agencies to analyze the economic impact of regulatory changes on small entities. Third, the Trade Agreements Act (19 U.S.C. sections 2531–2533) prohibits agencies from setting standards that create unnecessary obstacles to the foreign commerce of the United States. In developing U.S. standards, this Trade Act requires agencies to consider international standards and, where appropriate, use them as the basis of U.S. standards. Fourth, the Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4) requires agencies to prepare a written assessment of the costs, benefits, and other effects of proposed or final rules that include a Federal mandate likely to result in the expenditure by State, local, or tribal governments, in the aggregate, or by the private sector, of \$100 million or more annually (adjusted for inflation.)

In conducting these analyses, the FAA has determined this rule (1) has benefits which justify its costs; (2) is a “significant regulatory action” as defined in section 3(f) of Executive Order 12866 and is “significant” as defined in DOT’s Regulatory Policies and Procedures; (3) will not have a significant impact on a substantial number of small entities; (4) will have little effect on international trade; and (5) does not impose an unfunded mandate on state, local, or tribal governments, or on the private sector. The FAA has placed these analyses in the docket and summarizes them below.

How Many Operators and Airplanes Are Affected by the Rule?

The FAA determined that 46 U.S. air cargo carriers with 1,132 transport category cargo airplanes operate under part 121. Brokers and leasing companies currently hold 125 turbojet cargo airplanes that could be operated under part 121. Thus, 1,257 cargo airplanes could be affected by this rule. The FAA determined that 540 of these airplanes have a flightdeck door, while 26 air cargo carriers operate at least one airplane with a flightdeck door. Of these 26 air cargo operators, 3 are likely to be large operators (more than 50 airplanes), 9 are likely to be medium sized operators (between 10 and 50 airplanes), and 14 are likely to be small operators (fewer than 10 airplanes).

What Are the Uncertainties Affecting the Potential Costs of This Rule?

The cost of a security program could be significantly reduced if the air cargo carrier does not transport any people other than its own employees. To avoid underestimating the potential total cost, the FAA assumed that every affected air cargo operator will occasionally transport people other than their employees. Further, the TSA has not finalized its requirements. This regulatory evaluation does not assume that the TSA will require the screening of cargo. The next question identifies some assumptions about the content of the potential security program. We have not included the potential costs of screening air cargo itself in the estimated costs of these security programs.

What Are the Bases for the Estimated Costs of a Security Program?

For the purpose of this economic analysis, we have assumed, for cost purposes only, that the following types of costs might be incurred. Actual costs may vary between programs sought by operators and approved by the TSA. Further, the TSA may choose to require certain components of a security plan that will differ from the assumptions included in the FAA cost analysis. The FAA assumes that air cargo carriers will

incur costs from reviewing their employee employment files, performing employee background checks, developing procedures to perform security clearances on non-employee passengers, and applying to the TSA for approval in creating their programs. They will incur similar annual costs in operating the program.

How Much Will It Cost To Establish and Operate a Security Program?

The FAA estimates that establishing a security program will cost, on average, about \$250,000 for a large air cargo airline, about \$75,000 for a medium sized air cargo airline, and about \$20,000 for a small air cargo airline. The annual cost to operate a security program will average about \$120,000 at a large air cargo airline, about \$40,000 at a medium sized air cargo airline, and about \$10,000 at a small air cargo airline. Thus, if all of the affected air cargo carriers chose to establish security programs, the total first-year cost will be \$1.705 million. However, several air cargo operators have voluntarily developed personnel security programs that include some or most of the activities envisioned by the FAA in its cost estimates. Thus, those air cargo operators have already made many of these expenditures and their estimated costs will be lower than those projected. Nevertheless, in order to ensure that the costs are not underestimated, the FAA assumed that no air cargo operator has such a program. Using an anticipated 5.3 percent growth rate of the air cargo industry, the annual costs of operating security programs for 10 years would be \$10.265 million. Thus, it will cost air cargo operators a total of \$12.330 million, which has a present value of \$9.217 million using the 7 percent discount rate required by the Office of Management and Budget.

How Much Will It Cost To Install Reinforced Flightdeck Security Doors?

The FAA calculated that installing reinforced doors on the 540 cargo airplanes would cost air cargo operators \$66.5 million in 2003.

TABLE 1.—AVERAGE COST PER AIRPLANE TO INSTALL A REINFORCED DOOR BY TYPE OF AIRPLANE

Type of airplane	Door kit cost	Numbers of labor hours to install	Total labor costs	Number of days out-of-service	Lost net revenue per day	Total lost net revenue	Total costs to install
727	\$65,000	96	\$7,680	2	\$20,500	\$41,000	\$113,680
737	50,000	96	7,680	2	4,500	9,000	66,680
747/100/200/300	210,000	172	13,760	4	24,500	98,000	321,760
747/400	51,500	96	7,680	2	24,500	49,000	112,020
757	50,000	96	7,680	2	20,500	41,000	98,680
767	50,000	96	7,680	2	20,500	41,000	98,680
DC-10	50,000	96	7,680	2	24,500	49,000	106,680