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By Adrian Schofield

It is likely that the FAA reauthorization bill will support efforts to set up a fund for NextGen equipage using private capital, according to a senior Senate staffer.

The House bill already includes language encouraging public-private concepts for equipage funding, and the Senate will probably agree with this approach when the two versions of the reauthorization bill are addressed in conference, says Gael Sullivan, a majority staff member on the Senate Commerce Committee. Sullivan's comments were made at Aviation Week's NextGen Ahead conference May 10 in Washington.

Major aerospace companies and Wall Street backers are establishing an equipage fund that would help airlines pay for avionics needed for the NextGen air traffic management modernization program. Nexa Capital Partners and ITT Corp. have taken the lead in this effort, and the managing partners are Michael Dyment from Nexa and former FAA Chief Operating Officer Russell Chew.

Chew says the proposed NextGen fund does not necessarily require supporting language in the FAA bill, but government backing would allow more capital to be raised. A major component of the plan is for FAA to commit to a NextGen deployment timetable, and this would happen more readily if there was a directive from Congress.

The House language is currently fairly vague, and it is likely that something "more tailored" will be in the final bill, Sullivan says.

Chew says the FAA commitments are needed to complete the business case for airlines and Wall Street to invest in NextGen equipage. Under the NextGen fund plan, airline payments would be deferred if the FAA infrastructure commitments are not met. Chew says there is no question that there is enough private capital available to fund equipage, but a compelling business case is needed to unlock it.

Private infrastructure investment funds are burgeoning, and even the airlines themselves are "willing to pay for things that make them money or save them money," says Chew. The key is removing the uncertainty about returns on the investment.

There has been strong interest from airlines in the equipage fund concept, Chew says. The fund partners are currently drafting agreements with some carriers, although they are also waiting to see what congressional action occurs. Chew says more details are likely to emerge in July or August.

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