

1 MANAGEMENT OF AIR TRAFFIC CONTROLLER
2 TRAINING CONTRACTS

3 - - -

4 TUESDAY, JANUARY 14, 2014

5 United States Senate,
6 Subcommittee on Financial and Contracting Oversight,
7 Committee on Homeland Security and Governmental Affairs,
8 Washington, D.C.

9 The Subcommittee met, pursuant to notice, at 2:34 p.m.,
10 in Room SD-342, Dirksen Senate Office Building, Hon. Claire
11 McCaskill, Chairman of the Subcommittee, presiding.

12 Present: Senators McCaskill and Johnson

13 OPENING STATEMENT OF SENATOR McCASKILL

14 Senator McCaskill. Good afternoon. I apologize for
15 being a few minutes late. We just finished our weekly
16 caucus, and as usual, it was rainbows and unicorns. Just
17 kidding. It was contentious and difficult today, so we went
18 over a little bit.

19 This hearing will now come to order. We are here today
20 to review the FAA, the Federal Aviation Administration's
21 management of the Air Traffic Control Optimum Training
22 Solution, known as ATCOTS.

23 ATCOTS is an important contract because it supports the
24 training of this Nation's air traffic controllers, who, in
25 turn, manage the Nation's air traffic, a critical service.

1 In the next few years, we expect to see more and more
2 retirements from the generation of air traffic controllers
3 that were hired after the 1981 strike. At the time this
4 contract was awarded in 2008, the FAA had a goal to hire and
5 train 17,000 controllers by 2015 in order to meet the
6 expected demand. The FAA also wanted to improve training to
7 meet the needs of the new NextGen air traffic control
8 system.

9 In order to achieve this goal, the FAA awarded a
10 contract to Raytheon to provide training to facilities
11 across the U.S. in 2008. In 2010, two years into the
12 contract, the Department of Transportation Office of
13 Inspector General audited this contract and found
14 significant problems. The contract was premised on certain
15 parameters, that there were going to be 4,000 recruits to
16 train and 159 sites to support. But within just a few
17 months, those numbers had increased dramatically, to 5,620
18 recruits at 195 sites. The cost of the contract had
19 skyrocketed, and FAA was in danger of running out of money
20 under the contract.

21 The IG had several recommendations for the FAA. The
22 most important one was that FAA needed to figure out what
23 training it needed and how much it was going to cost.
24 Unfortunately, FAA failed to take the IG's recommendation to
25 heart. Instead, FAA let the contract continue unchanged,

1 racking up at least \$89 million in additional costs to the
2 taxpayer. Finally, as warned by the Inspector General, FAA
3 ran out of money a year early.

4 Again, FAA had the opportunity to follow the IG's
5 common sense recommendation to figure out what training it
6 needed. Instead, FAA decided the best course of action was
7 to exercise the contract's option period early.

8 I wrote to the then-Acting Administrator Huerta in
9 2012, asking FAA to consider its plan carefully and to
10 implement the Inspector General's recommendations by
11 updating cost estimates, defining training requirements, and
12 developing performance measures for the contractor as
13 opposed to the inappropriate notion that the contractor
14 provided their own performance measures, all basic elements
15 of good contracting. But, FAA did not do this.

16 In 2013, the Inspector General released a second report
17 about the ATCOTS contract. The Inspector General found that
18 while there has been some improvement, FAA still has not
19 figured out its training needs. In addition, it appears
20 that FAA has managed to bring the costs of the contract
21 under control only by cutting the amount of training
22 provided by the contractor and instead relying on Certified
23 Professional Controllers to fill the gaps. FAA has been
24 unable to tell the Inspector General or this Subcommittee
25 how much using these highly-paid Government employees had

1 added to the costs of training new air traffic controllers.

2 In addition, more than five years and \$512 million
3 later, the FAA has not achieved any of the three critical
4 goals of the original ATCOTS contract: Reduce training
5 costs, reduce training times, and bringing training
6 innovations.

7 Today's hearing is about learning from the past
8 mistakes, fixing problems, and moving forward. I want to
9 spend some time having a discussion with the Office of
10 Inspector General, the FAA, and Raytheon in order to
11 understand how these problems came about and why they have
12 not been addressed earlier. I want to learn what both the
13 FAA and Raytheon are doing right now to get this contract
14 back on track and what is being done to try and achieve some
15 of the initial goals of the contract.

16 I also want to understand what the FAA is doing to
17 better manage and oversee its contracts. This is especially
18 important because I understand that the FAA may start the
19 acquisition process on a new training contract later this
20 year. I want this Subcommittee to be satisfied that FAA has
21 learned its lesson and will not make these mistakes again.
22 I want to know that the FAA is taking concrete steps to
23 address deficiencies, is committing to making smart
24 contracting decisions, and will ensure that its own
25 acquisition policies are actually followed. I do not want

1 to be here in a year's time having the exact same hearing
2 again.

3 Congress and the American public have entrusted the FAA
4 with taxpayer dollars and trust them to maintain the safety
5 of our airspace. Just this weekend in my State, a plane
6 mistakenly landed on the wrong airport in Missouri, coming
7 dangerously close to the end of a runway that was too short
8 for the aircraft in question. While there is no evidence of
9 a connection of what we are exploring here today and what
10 happened in Missouri, it is hard to understand how the air
11 traffic controllers allowed a Southwest Airline--and we are
12 not talking about a small general aviation aircraft, we are
13 talking about a domestic carrier of American citizens--how
14 they allowed them to land at the wrong airstrip, at the
15 wrong airport, on the wrong runway.

16 It is a timely reminder of the need to ensure that the
17 resources we spend on air traffic safety are spent
18 effectively, and that if we do not have enough in the
19 contract to adequately train our controllers, that we
20 confront that rather than continuing to renew contracts that
21 have not been working or have not had the oversight that
22 common sense dictates.

23 I thank the witnesses for being here and I look forward
24 to their testimony.

25 Senator Johnson.

1 OPENING STATEMENT OF SENATOR JOHNSON

2 Senator Johnson. Thank you, Madam Chair. You are
3 correct. This is a very timely hearing. I appreciate you
4 calling it.

5 I did read the Inspector General's report. It raised
6 probably more questions than it answered, so I will
7 certainly second your opening comment in terms of all the
8 questions that you would like to have answered during the
9 hearing.

10 One of the things I certainly did in reviewing this and
11 getting ready for this hearing is just take a look at the
12 reasonableness of the cost per training. Since 2009, the
13 average cost--this is per the Raytheon contract--was about a
14 little under \$20,000 per air traffic control trainee. It
15 rose to as high as \$29,000, and in 2013 was about \$26,000.
16 That is relatively high training costs. You can compare
17 that to college education. So, based on that information, I
18 do not know if that is appropriate or inappropriate in terms
19 of the total expense. I want to understand exactly how the
20 training occurs, who is doing it, how much is done by the
21 FAA, how much is done by Raytheon, what the breakdown is,
22 how intensive this training is. So, I just really want to
23 understand the complete training process.

24 I am certainly looking forward to the testimony. I am
25 hoping that is the kind of information I certainly get out

1 of this hearing. But, again, I certainly thank the
2 witnesses for coming here and being willing to testify and
3 look forward to your testimony.

4 Thank you, Madam Chair.

5 Senator McCaskill. Let me introduce the witnesses
6 today.

7 First, we have Mary Kay Langan-Feirson, who is the
8 Assistant Inspector General for Acquisition and Procurement
9 Audits at the U.S. Department of Transportation, Office of
10 Inspector General. In this capacity, she oversees audits
11 relating to the Department of Transportation acquisition and
12 procurements, including direct contracts and contracts
13 awarded by grantees. Prior to joining the Office of
14 Inspector General, Ms. Langan-Feirson worked in the
15 Department of Transportation's Office of General Counsel for
16 30 years.

17 Patricia McNall is the Chief Acquisition Officer and
18 Deputy Assistant Administrator for Finance and Management at
19 the Federal Aviation Administration, and I will say with a
20 sense of a humor, obviously the person who got the short
21 straw at the FAA. I will say on the record, I am
22 disappointed--not that I am not thrilled to have you, Ms.
23 McNall, but I think the person who should be sitting there
24 should be the person who has oversight of this program.
25 They declined to attend this and sent you, and that--I will

1 give you a chance to address that when you testify, but I do
2 not think you are in a position to know as much about this
3 as we need to know and it is disappointing, but I will tell
4 you candidly in this particular area, I was not shocked when
5 I heard that you were being sent in terms of getting the
6 short straw.

7 In your outstanding 30-year FAA Career, you have served
8 in various positions, including Acting Deputy Assistant
9 Administrator for Policy, Planning, and International
10 Aviation, and Deputy Assistant Chief Counsel for FAA's
11 Technical Center. Prior to assuming your current position,
12 you were the FAA's Assistant Chief Counsel for Acquisition
13 and Commercial Law.

14 Lynn Dugle is Vice President at Raytheon and President
15 of Raytheon Intelligence, Information, and Services, a
16 position she has held since 2009. Before joining Raytheon
17 in 2004, Ms. Dugle held officer-level positions with ADC
18 Telecommunication and Texas Instruments.

19 I thank all three of you for being here. It is the
20 custom of this Subcommittee to swear in all witnesses that
21 appear before us, so if you do not mind, I would ask you to
22 stand and take the following oath.

23 Do you swear that the testimony that you are about to
24 give before this Subcommittee will be the truth, the whole
25 truth, and nothing but the truth, so help you God?

1 Ms. Langan-Feirson. I do.

2 Ms. McNall. I do.

3 Ms. Dugle. I do.

4 Senator McCaskill. Thank you all very much.

5 We will be using a timing system today. We are not
6 sticklers about that, but we will ask you to try to keep
7 your testimony to five minutes. Obviously, you are welcome
8 to supplant your oral testimony today with any other
9 information you would like to have us put in the record
10 concerning our hearing topic.

11 And we will begin with you, Ms. Langan-Feirson.

1 TESTIMONY OF MARY KAY LANGAN-FEIRSON, ASSISTANT
2 INSPECTOR GENERAL, ACQUISITION AND PROCUREMENT
3 AUDITS, OFFICE OF THE INSPECTOR GENERAL, U.S.
4 DEPARTMENT OF TRANSPORTATION

5 Ms. Langan-Feirson. Chairman McCaskill, Ranking Member
6 Johnson, thank you for inviting me here today to testify on
7 FAA's Air Traffic Control Optimum Training Solution
8 contract. The \$859 million contract was intended to provide
9 up to ten years of support to train approximately 17,000 air
10 traffic controllers, most of whom FAA planned to hire over
11 the next decade.

12 In September 2010, we reported several contract
13 weaknesses that challenged FAA's efforts to effectively
14 manage the ATCOTS program. FAA has made progress in
15 addressing many of the weaknesses we identified. However,
16 more than three years after that report, FAA has yet to
17 address our most important recommendation, which is to
18 clearly define controller training requirements and
19 determine whether they can be achieved within the existing
20 cost baseline of \$859 million.

21 Specifically, we recommended that FAA update its
22 training requirements and develop criteria for determining
23 whether the agency should exercise contract options beyond
24 the five-year base contract. Despite our recommendation,
25 the ATCOTS program experienced four consecutive years of

1 cost overruns, totaling about \$89 million, due largely to
2 FAA's lack of clearly defined requirements. In the first
3 two years alone, contract costs exceeded negotiated values
4 by \$46 million, and the contractor was required to provide
5 far more training than FAA originally estimated.

6 As a result, FAA ran out of money in the fourth year of
7 the base contract and was not prepared to make an informed
8 decision on how to best meet its controller training program
9 needs. Ultimately, FAA chose to exercise the contract's
10 first option period a year earlier than planned without
11 first clearly defining its training requirements or
12 determining whether to exercise the option or take a
13 different acquisition approach.

14 In our most recent report, released last month, we know
15 that FAA has taken some steps to better assess its training
16 needs. For example, FAA reestablished its use of an annual
17 workplan to better identify training requirements. However,
18 the plan still does not capture all of FAA's training needs,
19 including training on new air traffic controller systems,
20 such as ERAM. If FAA does not clarify and update its
21 training requirements, the ATCOTS program remains at risk of
22 cost overruns in the future.

23 During our recent audit of ATCOTS, we also identified
24 contract management weaknesses that undermine FAA's ability
25 to achieve its training goals. For example, FAA has not

1 used its award fees or incentive fees to manage the contract
2 effectively. One of the FAA's key training goals is to
3 reduce training times, but the award fee performance
4 measures have not been adequately linked to this goal, an
5 issue we first reported in 2010. Between fiscal years 2009
6 and 2012, controller training times actually increased by an
7 average of 41 percent, taking nine months longer, on
8 average, to certify each controller. Over the life of the
9 contract, FAA paid the contractor over \$17 million in award
10 fees for performance measures that did not effectively
11 motivate the contractor. FAA also paid \$14 million in
12 incentive fees despite four years of cost overruns. This is
13 counterintuitive to the concept in use of award fees.

14 In its response to our 2013 report, FAA announced that
15 its goal is to award a new contract to replace ATCOTS as
16 early as fall of 2014. To avoid repeating the problems with
17 ATCOTS, it is crucial that FAA address our recommendation to
18 clearly define its training requirements and decide whether
19 it needs to rebaseline before awarding a new contract. We
20 will continue to monitor FAA's progress in implementing our
21 recommendations and provide this Committee, the Secretary,
22 and FAA with future updates on the program.

23 This concludes my prepared remarks. I would be happy
24 to answer any questions you may have.

25 [The prepared statement of Ms. Langan-Feirson follows:]

1 Senator McCaskill. Thank you very much.

2 Ms. McNall.

1 TESTIMONY OF PATRICIA McNALL, DEPUTY ASSISTANT
2 ADMINISTRATOR, ACQUISITIONS AND BUSINESS SERVICES,
3 FEDERAL AVIATION ADMINISTRATION, U.S. DEPARTMENT
4 OF TRANSPORTATION

5 Ms. McNall. Good afternoon, Chairman McCaskill and
6 Ranking Member Johnson. I am Pat McNall, the FAA's
7 Acquisition Executive, and I am responsible for the agency's
8 acquisitions. I appreciate this opportunity to speak with
9 you today about the FAA's Air Traffic Controller Training
10 Contract.

11 The FAA's mission is to ensure the safest, most
12 efficient airspace system in the world, but we are also
13 committed to cost effectiveness. The taxpayer expects and
14 deserves nothing less.

15 In 2005, the FAA projected the need to hire 17,000
16 controllers by 2015. This unprecedented level of hiring and
17 training was necessary to replace the large number of
18 expected retiring controllers and meet projected increases
19 in air travel demand. To manage this large training effort,
20 the FAA proposed replacing two existing level of effort
21 contracts with a single centrally managed performance-based
22 contract. Simply put, this means we were removing and
23 transitioning from existing contracts where we specified the
24 number of instructors and the method of providing the
25 training to a new contract that would specify the number

1 controllers to be trained, plus or minus ten percent, allow
2 the contractor to determine the best means of training these
3 controllers, while we measure its effectiveness and ability
4 to do so according to pre-set metrics.

5 In September 2008, after running a full and open
6 competition, the FAA awarded the contracted titled the Air
7 Traffic Control Optimum Training Solution contract, or
8 ATCOTS, to Raytheon Technical Services Corporation with a
9 ceiling value of \$859 million. In the early years of the
10 contract, however, we encountered significant challenges and
11 costs. We underestimated the difficulty in transitioning
12 from level of effort contracts in place for over 20 years to
13 the new performance-based ATCOTS contract. We reverted to
14 the methods we knew had been working in the past. Our
15 training needs, both in the number of students and the
16 technology for which we needed to provide the training,
17 accelerated faster than we anticipated. We incurred a
18 substantial cost, accordingly.

19 We have taken significant steps to improve our
20 management of the ATCOTS contract. I would like to
21 highlight a few of these steps. The FAA provided increased
22 management attention and requirements control by
23 consolidating all training under the FAA's Air Traffic
24 Organization Vice President for Safety and Technical
25 Training. Additionally, we imposed an award fee structure

1 that motivates the contractor to control costs. We
2 implemented a new training planning tool to better define
3 and control our dynamic training needs. We developed
4 guidelines to monitor required performance standards and
5 expected outcomes for the contractor, and we hold our
6 oversight staff accountable for overseeing these standards.
7 These changes are improving our oversight, management, and
8 administration of the ATCOTS contract.

9 We appreciate the Office of Inspector General's audit
10 of the contract. We are confident that the measures we have
11 taken, which fall in line with their recommendations, will
12 allow us to stay on track for the remainder of this
13 contract.

14 The FAA recently issued a market survey and request for
15 information as the first step to a possible replacement of
16 the ATCOTS contract. If we proceed with this procurement,
17 we will replace the contract before the end of this calendar
18 year. Whether we replace it or not, I am confident that we
19 will continue to provide quality air traffic control
20 training.

21 The training of air traffic controllers will continue
22 to be a critical need for the agency. We estimate that we
23 will need to hire 11,700 controllers by the year 2022. In
24 order to maintain safety and handle the high volume of air
25 traffic, we need to maintain a steady hiring and training

1 rate through this time. Our ability to do that, however,
2 has been challenged by decreased funding, including the
3 sequestration. All training courses at the FAA Academy were
4 canceled since sequestration was implemented and have only
5 resumed this month.

6 The FAA was also unable to hire any new air traffic
7 controllers and will have to now accelerate hiring, budget
8 permitting, to ensure that we have a sufficient number of
9 controllers. This increased rate of hiring will bring with
10 it increased training requirements beyond what we predicted
11 for this coming year.

12 Whenever we face uncertainty about hiring and funding,
13 we face uncertainty about our training requirements. This
14 makes it very difficult to predict, cost, and plan for the
15 best and most effective cost effective contract we can have,
16 but we remain committed to ensuring the safety of the
17 National Airspace System and will not ever compromise
18 safety, even in these uncertain times.

19 Ms. Chairman, this concludes my statement and I would
20 be happy to take questions at this time.

21 [The prepared statement of Ms. McNall follows:]

1 Senator McCaskill. Thank you very much.

2 Ms. Dugle.

1 TESTIMONY OF LYNN DUGLE, PRESIDENT, INTELLIGENCE,
2 INFORMATION, AND SERVICES, RAYTHEON COMPANY

3 Ms. Dugle. Good afternoon, Chairman McCaskill and
4 Ranking Member Johnson. I am Lynn Dugle, President of the
5 Intelligence, Information, and Services Business of the
6 Raytheon Company, the business which is the prime contractor
7 for the ATCOTS program. Thank you for the opportunity to
8 address the Subcommittee on Raytheon's management of the
9 program, our ongoing efforts to reduce cost, and the new
10 training innovations we can bring to the program.

11 Before I do so, let me provide some relevant context on
12 Raytheon and our training. We are one of the world's
13 leading providers of mission critical training solutions.
14 We train more than two million people a year whose missions
15 include national defense, U.S. intelligence operations,
16 cybersecurity, and, of course, national airspace management.
17 In addition, our training solutions extend to critical needs
18 in the commercial sector.

19 Raytheon is also one of the world's largest providers
20 of air traffic management systems. Our systems control more
21 than two-thirds of the world's airspace and our company is
22 an active participant in the FAA's Next Generation program.

23 By way of starting, let me say that Raytheon agrees
24 with the general conclusion of the IG report that progress
25 has been made, yet much more work remains. Raytheon and the

1 FAA have built a partnership that has addressed the agency's
2 very dynamic training needs for more than five years.
3 During the last year, we have accelerated those
4 improvements, and now, we have a solid foundation to get
5 future gains.

6 Let me now share my thoughts on the three topics that
7 the Committee requested Raytheon to cover, management of the
8 contract, cost reductions, and new training innovations or
9 transformation.

10 The management of this contract was challenged from the
11 start by those unexpected increases in cost and scope that
12 were identified after the contract began. This included a
13 hiring surge that resulted in a 40 percent increase in year
14 one. There were also new training requirements for 700 of
15 these new trainees. There were new air traffic control
16 system modernization requirements, the ERAM that you
17 mentioned, and new tower simulation needs.

18 Nevertheless, Raytheon responded to those challenges by
19 training 20 percent more individuals over the four-year
20 period. We lowered the cost per student on Raytheon-
21 delivered training by six percent, lowered the cost--
22 decreased the controller failure rate by 12 percent. We
23 shortened class durations at the Academy by ten percent.
24 And we achieved a 23 percent increase in the utilization of
25 the complex and expensive tower simulators.

1 On the topic of cost reduction, Raytheon and the FAA
2 are working together to maximize the training that can be
3 delivered, can be accomplished, within the budget given.
4 Let me cover some of the changes we have already made.

5 For the first time, FAA's field managers, on-site
6 managers, are involved in deciding local training
7 priorities, which will lead to more effective and more
8 efficient training across the system. Their involvement has
9 enabled by a new planning and execution tool developed by
10 Raytheon at our own expense to assist with that planning.
11 In partnership with the FAA, we have also implemented new
12 workforce practices and scheduling efficiencies at the
13 Academy that will reduce the fiscal year 2014 costs by an
14 additional five percent. We have also reduced our Program
15 Management Office by 20 percent, after working with the FAA
16 to streamline contractual reporting requirements. This
17 reduction will result in \$2 million of annual savings.

18 Let us shift to the topic of new training innovations.
19 I, again, agree with the IG report that significant
20 opportunities exist to further modernize training and reduce
21 our cost. With support and approval from the FAA, we can
22 implement innovations that will allow us to deliver high-
23 quality training at a much lower cost.

24 Raytheon has provided numerous proposals and white
25 papers outlining potential areas for important innovations.

1 The biggest opportunity now before us is the implementation
2 of the ATCOTS Curriculum Architecture Project, and this
3 project created a blueprint for the systematic modernization
4 and transformation of air traffic controller training by
5 identifying the best training mechanisms, methodologies, and
6 then how to best sequence the training to avoid any
7 duplication. We have also presented and shared other
8 opportunities with the FAA, such as Virtual Classroom
9 Training and the implementation of remote training for the
10 Air Traffic Basics Course, both of which I discussed in more
11 detail in my written testimony.

12 I would like to conclude by emphasizing that
13 significant progress has been made over the past year in a
14 very complex, challenging, and critically important program.
15 Raytheon and the FAA have established a solid foundation for
16 future performance gains and future cost reductions. I
17 believe Raytheon has the program knowledge, the
18 transformational training capabilities, and the larger air
19 traffic management domain experience to continue to
20 collectively support the FAA and meet the training needs of
21 our air traffic control professionals.

22 Thank you very much for the opportunity. I look
23 forward to answering any questions you may have.

24 [The prepared statement of Ms. Dugle follows:]

1 Senator McCaskill. Thank you, and once again, I
2 appreciate all of you being here.

3 Let me start out--I would ask each of you before we
4 begin questioning, if you would, to try to assign a grade to
5 the management and oversight of the ATCOTS contract. Ms.
6 Langan-Feirson, what grade would you give it?

7 Ms. Langan-Feirson. An incomplete.

8 Senator McCaskill. Ms. McNall. That was kind. Ms.
9 McNall.

10 Ms. McNall. I am inclined to agree. Actually, I would
11 also point out, I think the grade has changed over time, all
12 right, so I would say we started off with a C, at best, and
13 then it progressed to a B.

14 Senator McCaskill. Okay. And Ms. Dugle.

15 Ms. Dugle. I think on the management of the program
16 and meeting our budget constraints, none of us would be
17 pleased with our grade. I think on the quality of the
18 training delivered, I would give us a much higher grade. I
19 also would warmly embrace the idea that we have improved
20 through time, improving more and more as each year has
21 progressed.

22 Senator McCaskill. I know that the FAA has implemented
23 some of the recommendations from the initial audit, though.
24 I think the thing that is hardest for me is, as was
25 mentioned in Ms. Langan-Feirson's testimony, it did not

1 implement the most critical recommendation, which is to
2 assess your training needs and figure out what you want.
3 You know, that is the most important thing in contracting in
4 Government, is to know what you want. You cannot get a
5 bargain if you do not know what you want. You cannot,
6 frankly, adequately oversee a contract unless you know what
7 it is you are actually acquiring, what you want and how much
8 it is going to cost. And it is still unresolved. Can you
9 address that, Ms. McNall. Why is this so hard to figure out
10 what you want and what it is going to cost?

11 Ms. McNall. Yes, ma'am. Actually, let me explain a
12 little bit about the training process. It is a very dynamic
13 situation. The piece that is actually in many ways the
14 easiest, and if I do a new contract it is easy enough that I
15 am even thinking maybe we can fix price to work, is when we
16 hire controllers, we bring them to the Academy and they
17 provide a very basic FAA air traffic controller training,
18 all right. That is the first step of the training process.
19 That, at least I know I am hiring X-number of people. They
20 are going to come into a class and the class is going to be
21 conducted roughly like this, absent any training
22 innovations.

23 From there, they go to an air traffic control facility,
24 all right, and they are going to get some additional
25 training at that facility. This is where it becomes a very

1 dynamic situation. Although we know we have a bow wave of
2 retirements coming, because we have a mandatory age cap by
3 which controllers must retire, and as you know, we had to
4 hire a great number of controllers all at one particular
5 point in time, which means they are more or less going to be
6 retiring at the same time--because of that, we know we need
7 to hire a lot. We know we have to train a lot.

8 But I do not know ahead of time which specific
9 controller is going to retire at which specific facility and
10 what position that controller is on. For the FAA air
11 traffic controller training, it has to be, when you get to
12 the facility level, unique not only to that facility, but
13 unique to that particular position that the controller is
14 on. We predict as best we can, and we have developed a
15 training tool with Raytheon that we have implemented with
16 our field that now involves a rolling process that we know
17 with a fairly good place, at least 30 days ahead, 60 days
18 ahead, and 90 days ahead, what we think that training will
19 be that we can then pinpoint and identify.

20 Once the controller candidate, so to speak, graduates
21 and changes that--and, I might add, that applies not only to
22 new trainees, that applies to existing controllers who may
23 need to be trained. If they are going to change positions,
24 they need to be trained for the new position to which they
25 are going to move. If they are going to change facilities,

1 they need training for that new facility as well as the new
2 position on which they are going to be.

3 At that point, the FAA takes over the training and we
4 use our professional air traffic controllers to provide on-
5 the-job training. On-the-job training accounts for about 75
6 percent of the total amount of training that our controllers
7 go through. In fact, that is the majority of the cost of
8 our training program.

9 Senator McCaskill. And how much is that training
10 costing you?

11 Ms. McNall. We provided some figures for the Committee
12 and I can look it up again, but total cost is around
13 \$250,000 per controller, approximately. That is not just--
14 that is total cost of both our contractor training and our
15 own employee training.

16 Senator McCaskill. So, 75 percent of that is your
17 employees?

18 Ms. McNall. Or more, yes.

19 Senator McCaskill. Okay. So, you are saying that 75
20 percent of \$250,000 is being done by your folks.

21 Ms. McNall. In fact, I can provide that for the
22 record, if you like. I do have some figures with me I can
23 go through with you, if you like, on what our labor costs
24 are for our employees to train you.

25 Senator McCaskill. Okay. I will come back to this on

1 the second round because I need to talk to my staff, because
2 we discussed this and this is the first I have heard this
3 number and I want to go through it with them while Mr.
4 Johnson is questioning you.

5 Ms. McNall. Mm-hmm.

6 Senator McCaskill. Why in the world would you go from
7 4,000 to 5,620 in the first year? How could the contract be
8 that far off that soon, that close to the beginning of the
9 contract?

10 Ms. McNall. Yes, ma'am. Actually, we do not agree
11 with that 5,600 number. I understand exactly where the
12 number came from, or at least we think we do, but we cannot
13 match it with our own records. The contract provided that
14 the controller would, for each year, need to train about
15 4,000 controllers, and it said, plus or minus ten percent.

16 Senator McCaskill. Right.

17 Ms. McNall. We do agree the number was higher, and by
18 our calculations was around 4,500 to 4,600. I think, and
19 doing it wrong. It is different data systems that collect
20 the data that I think is helping lead to why there is a bit
21 of a difference--

22 Senator McCaskill. Okay. Wait. Let us back up here.

23 Ms. McNall. Mm-hmm.

24 Senator McCaskill. So, you are telling me that you are
25 paying for training for these people and you are not even

1 sure and cannot articulate why the IG would say there was
2 5,620 and you are saying there was 4,500?

3 Ms. McNall. No, I can definitely articulate that. The
4 5,600 was Raytheon's number, which we believe includes all
5 people initially put into the class, whether or not they
6 graduated from the class or washed out. It includes
7 training that we would otherwise not necessarily have
8 counted, all right. So--

9 Senator McCaskill. Well, why did you pay them for it,
10 then?

11 Ms. McNall. Oh, one thing, it is a cost reimbursement
12 contract and we treated it like a level of effort contract,
13 and the way we should have is basically a performance-based
14 contract. But they were successful in training this number
15 of personnel, and we do agree--they did put in a request for
16 equitable adjustment and at the end, we agreed they did
17 train more than we expected. So, if you take the plus ten
18 or minus ten percent, that makes 4,400 at the op side. We
19 do agree they trained at least 4,500 to 4,600.

20 In addition, they had to do different kinds of
21 training. There is a separate requirement which says that
22 we can only vary by three percent the different categories
23 of training and we varied more than that. So, some of the
24 technology training was increased. Some of the training for
25 controllers that are already trained but now need to be

1 trained for new positions, that was higher than we
2 anticipated, as well.

3 Senator McCaskill. Okay. So, you thought the most you
4 were going to pay for was 4,500. You paid for 5,600,
5 correct?

6 Ms. McNall. I would--

7 Senator McCaskill. Is that correct, Ms. Langan-
8 Feirson, that they paid for 5,600 the first year?

9 Ms. Langan-Feirson. The numbers that we have are that
10 FAA underestimated the number of controllers by 41 percent.
11 There were 5,620 developmentals rather than 4,000 that was
12 in the solicitation.

13 Senator McCaskill. Okay. So, here is the problem.
14 You are paying a thousand over. Forty percent is the figure
15 that they are using.

16 Ms. McNall. Right.

17 Senator McCaskill. And what happened when that
18 occurred? Were there alarm bells that rang? Did everybody
19 get together and say, we have got to look at this contract,
20 we have got to change some things and we have got to figure
21 out what our number is for next year, and so the next year,
22 it got better?

23 Ms. McNall. Yes, ma'am, we did--

24 Senator McCaskill. No, it did not. You still had
25 major cost overruns the next year.

1 Ms. McNall. Yes, we did, but the cost runs [sic] were
2 less, not nearly--do not get me wrong, the cost overruns
3 were still present and they were present for the third year,
4 as well, and I am horrified by that, as well, all right.
5 But, we started a positive trend, all right. We got our
6 controls. I will tell you, honestly, the first three years
7 of the contract, management in particular were very
8 troubling. The fourth year, we got better. That is why I
9 am saying we succeeded in our most important goal, which is
10 getting air traffic controllers trained as needed and
11 providing the quality of training that was needed. The
12 problem was the cost control--

13 Senator McCaskill. Well, I think, there, the issue is
14 that--even in this testimony today, there does not seem to
15 be a clear explanation that can be articulated between the
16 difference in what you contracted for and what you paid for,
17 and it does not even appear that you agree that they were
18 training--that they should have been training all the people
19 they were training, based on the testimony you have just
20 given, that they were doing training you did not even
21 anticipate them doing.

22 And so you say it was a lot different in the second
23 year, but my recollection is the first year, it was \$40
24 million over--or \$20 million over?

25 Ms. McNall. No, 20. Twenty over.

1 Senator McCaskill. Twenty over the first year, and
2 then the second year, was it not 20 over again?

3 Ms. McNall. Not quite.

4 Senator McCaskill. It was \$29 million the first year
5 and \$31 million the second year.

6 Ms. McNall. I will be happy to double-check those
7 numbers for you, with you and confirm back. The issue we
8 had that was--keep in mind, the difference between a level
9 of effort contract or our contract where I am paying per
10 controller, which was an idea we originally contemplated,
11 but the IG appropriately pointed out to us would not be
12 appropriate, it is a performance-based contract. So, we are
13 not training per controller. We are training the volume of
14 controls, whatever that amount might be, so long as it is
15 within ten percent of 4,000, right. Above that, we
16 recognize, yes, where the contract is entitled to an
17 equitable adjustment, as well as if the mix changes of
18 controllers beyond what we anticipated, and we agreed, that
19 mix also did change. It did entitle the contractor to an
20 equitable adjustment.

21 One of the things we did that first year, for example,
22 on the incentive fee, they only got their minimum fee. They
23 got nothing more than that.

24 Senator McCaskill. Okay. All right. Let me let
25 Senator Johnson ask, and then I will come back and follow

1 up.

2 Ms. McNall. Mm-hmm.

3 Senator Johnson. Let me use a little accounting lingo
4 here. You have got a price variance and you have got a--

5 Ms. McNall. Yes.

6 Senator Johnson. --a value variance. It sounds to me
7 like the problems with the contract was a volume variance.
8 You had to train more air traffic controllers, is that
9 accurate?

10 Ms. McNall. That is largely accurate, and the only
11 reason why I am hesitating at all is one of the things the
12 FAA did was require this contractor to mirror the level of
13 services being provided by the prior contractor without
14 first evaluating, were all of those services the prior
15 contractor had providing needed. We just told the
16 contractor, go out, every facility at which our prior
17 contractor was at, provide at least that amount of staffing.
18 While we were running the procurement, which in this case
19 was a little bit longer process than normal, that prior
20 contractor was continuing to expand the sites at which they
21 were present and providing training. So--and, in fact, that
22 grew, although it was known within the agency--

23 Senator Johnson. So, you had training overlap between
24 two contractors, which--

25 Ms. McNall. Yes.

1 Senator Johnson. Okay.

2 Ms. McNall. Three contractors, in fact, since we were
3 replacing--

4 Senator Johnson. Let us just back up--

5 Ms. McNall. Right.

6 Senator Johnson. --because, I mean, I am new to this
7 whole issue. Can you give me a little bit of history of
8 training in the air traffic control system? For example,
9 after the PATCO strike, we had to hire a lot of people. We
10 had to train a lot of people.

11 Ms. McNall. That, we did.

12 Senator Johnson. Was that done internally, on-the-job
13 training? Was that done with an outside contractor?

14 Ms. McNall. It was done with the help of an outside
15 contractor, just as it is today. For approximately 20 years
16 before this contract, all right, we started off with
17 training at our Academy in Oklahoma City. The Academy in
18 Oklahoma City contracts, and at that point, they were
19 contracting with Oklahoma University to provide training at
20 the Academy. So, that was the starting point. That was the
21 same up until we competed and Raytheon won the contract.

22 Senator Johnson. So, prior to that, you were actually
23 contracting with a university to do the training?

24 Ms. McNall. Yes, at FAA's facilities. So, it is not
25 like we were sending them to college or university.

1 Senator Johnson. Who would be the other potential
2 competitors for this contract, other universities? Other
3 private sector businesses?

4 Ms. McNall. Yes to both, because Oklahoma University
5 was only providing Academy training, which was sort of the
6 initial basics course at this one facility. We hired air
7 traffic control--well, I should call them potential air
8 traffic controllers. They take a test so we can determine,
9 are they likely to be good air traffic controller
10 candidates. If they pass that test, we hire them. We send
11 them to the Academy to begin their training.

12 From there, we send them to the facilities where we
13 think we are going to need the personnel, all right. Again,
14 that is an estimate, because we do not know exactly who is
15 going to retire when. But, based on statistics and
16 historical patterns--

17 Senator Johnson. Okay.

18 Ms. McNall. --we do our best guess. At the field, a
19 private sector contractor takes over, historically, a
20 separate contractor. It was a small business company,
21 Washington Consulting Group, held that contract for many
22 years.

23 Senator Johnson. How many different air traffic
24 control positions are there? I mean, how many different
25 classifications of air traffic controllers are you training

1 for, approximately?

2 Ms. McNall. I--

3 Senator Johnson. I mean, is there just one kind of air
4 traffic controller, or--

5 Ms. McNall. No.

6 Senator Johnson. --are there ten? Are there 30?

7 Ms. McNall. No. It is--the reason I am hesitating--I
8 will promise I will get back to you for the record with a
9 better answer. I can tell you that we have over 15 levels
10 of facilities, so that is--

11 Senator Johnson. That was my next question.

12 Ms. McNall. Okay.

13 Senator Johnson. Okay. So you have 15 different types
14 of facilities.

15 Ms. McNall. No, 15 levels. I have--okay. I will back
16 up a little bit further.

17 Senator Johnson. Because, then I was going to say,
18 different types of equipment configurations. I am trying to
19 get--

20 Ms. McNall. Right.

21 Senator Johnson. --my arms around the complexity of
22 the training situation.

23 Ms. McNall. Yes. Absolutely.

24 Senator Johnson. You have got different sized
25 airports--

1 Ms. McNall. Different sizes of facility.

2 Senator Johnson. --different sized towers, different
3 equipment configuration, you have got different--

4 Ms. McNall. And not just towers, sir, if I may,
5 respectfully.

6 Senator Johnson. Okay.

7 Ms. McNall. Right. We have towers. Then we have what
8 are called Terminal Radar Control Facilities. They may or
9 may not be located where the tower is. And then we have end
10 route--22 end route facilities across the country that
11 handle air traffic. They basically handle different volumes
12 of air traffic.

13 Within each facility--so, not only do we have the
14 difference in facility size and the difference in equipment,
15 the layout, et cetera, we also have different positions in
16 that facility. So, one controller, for example, will only
17 handle arriving air traffic. Another controller will handle
18 only departing air traffic. Another controller will be
19 watching, generally, out for field--

20 Senator Johnson. Okay. So, let us go back. A number
21 of different types of towers.

22 Ms. McNall. Yes.

23 Senator Johnson. Are they all the same, or are there
24 different configurations of that?

25 Ms. McNall. They are all--

1 Senator Johnson. Pardon?

2 Ms. McNall. They have very different configurations.

3 Senator Johnson. So, how many different
4 configurations, approximately? I mean, are you talking
5 about 100 different configurations? I mean, is each one--

6 Ms. McNall. Each--

7 Senator Johnson. --totally separate, totally unique?

8 Ms. McNall. We have tried to standard the physical
9 layout of the towers, but the physical layout of each
10 airport tends to be a little bit different, which means
11 there are changes for each airport, accordingly, right. If
12 there is a mountain here, if there is a cliff there, right,
13 that is going to alter the procedure. The air routes that
14 the controllers have to guide the pilots along, those vary,
15 as well.

16 Senator Johnson. Okay.

17 Ms. McNall. And, in fact, we have a variety of
18 different air routes that go into any one facility. In
19 fact, and then what air route can be used depends on the
20 equipage of the aircraft, and the controller has to know and
21 visualize within their mind not only where is that aircraft,
22 but which route can I give this aircraft based on the
23 training of the pilot from that aircraft as well as the
24 equipage onboard the aircraft.

25 Senator Johnson. Okay. So, the bottom line here,

1 without getting--

2 Ms. McNall. Mm-hmm.

3 Senator Johnson. --spend a lot of time on the detail,
4 which I--

5 Ms. McNall. Sorry.

6 Senator Johnson. --would be glad to get into at some
7 point in time, but the bottom line is there is a great deal
8 of complexity--

9 Ms. McNall. Yes.

10 Senator Johnson. --in trying to anticipate over a ten-
11 year contract what those training requirements are going to
12 be.

13 Ms. McNall. Exactly.

14 Senator Johnson. Is that at the core? And I will ask
15 all three of you to comment, because, to me, just writing
16 down, well, you have got to define the training
17 requirements, well, yes, of course.

18 Ms. McNall. Right.

19 Senator Johnson. But then, all of a sudden, you
20 realize, defining the training requirements is unbelievably
21 complex and it is very hard to anticipate. I mean, is that--
22 -

23 Ms. McNall. You are absolutely right, Senator.

24 Senator Johnson. Does anybody want to disagree with
25 that?

1 Ms. Langan-Feirson. I would say--

2 Senator Johnson. Or chime in?

3 Ms. Langan-Feirson. I would agree. It is a very
4 complex task. I would also say that the FAA has been
5 training controllers for a very long time and it is a very
6 important task.

7 Senator Johnson. Ms. Dugle.

8 Ms. Dugle. And all I would answer is that one of the
9 steps that we have taken is to actually create a very simple
10 tool, but a very powerful tool, that takes that complexity,
11 decomposes it, puts it into an automated spreadsheet type
12 where all of our then-on-site trainers--we talked about
13 coming from headquarters predicting and scheduling training
14 out onto the site. We then take that each month, analyze 30
15 days of history, we look at our current 30 days, and then we
16 do the forward planning that--

17 Senator Johnson. So, Raytheon does its ten to 25
18 percent--I am looking at 25,000 versus 250 and I am saying
19 that is ten--

20 Ms. Dugle. Yes--

21 Senator Johnson. --but somewhere in that ten to 25
22 percent of the training, you do that on the very front end
23 and then--

24 Ms. Dugle. We do that now on a continuous basis.

25 Senator Johnson. But, I mean, in terms of the cycle of

1 an air traffic controller. I mean, are you primarily
2 handling the first year of training of an individual, and
3 then it gets turned over to on-the-job training with FAA
4 personnel?

5 Ms. Dugle. It would be approximately a year. So, we
6 do the Academy training. We then do the on-site training
7 and then we transition to the FAA for the actual on-the-job
8 training. So, we handle two of the three components.

9 Senator Johnson. So, we can criticize the FAA for not
10 having defined this training requirement. How critical are
11 you of that? I mean, do you also--I mean, are you actually
12 pretty sympathetic with the complexity of it, or do you
13 think there could be just a far better job, even within the
14 complexity, that we could do a better job of--we can always
15 do a better job, but--

16 Ms. Dugle. You know, I think we can always do a better
17 job. What I will say, this program came under my
18 responsibility in April and I became a student of air
19 traffic control training. I never had any appreciation for
20 the level of complexity. So, you have the individual
21 component--

22 Senator Johnson. Are you asking for reassignment yet,
23 or--

24 Ms. Dugle. Yes, that is right.

25 [Laughter.]

1 Ms. Dugle. You know, I do not think I could pass the
2 training, quite frankly. But when you put the variables--
3 and I am from an engineering background, right, so to get a
4 consistent answer, I have to have so many known variables in
5 an equation. When I put in the personal talents, we screen
6 candidates coming in, but this is a very complicated job.
7 Not everyone can do it. Then we have all the factors that
8 Pat talked about. So, I am--

9 Senator Johnson. Let me go over time just a little
10 bit, just because this ties in. How much remedial training
11 are you on the front end having to do just because the
12 applicants coming in, yes, they have got a degree, but there
13 are just deficiencies and you have to bring people up to
14 speed in terms of whatever our education system should have
15 done?

16 Ms. Dugle. So, probably the best factual indicator of
17 that is our fallout rate. When we assumed responsibility
18 for training, that failure rate was 29.5. Over the time
19 period, we have reduced that to 17 percent. I think in this
20 kind of training, you would always run in some level of
21 double-digits because you just absolutely cannot screen all
22 the temporal and visual talent.

23 Senator Johnson. So, the reduction really is better
24 screening, better application process, better hiring
25 procedures, and that would be--

1 Ms. Dugle. Well, and--

2 Senator Johnson. --on your part or on FAA's part?

3 Ms. Dugle. And on our ownership, constantly improving
4 that training, right, modernizing the techniques so that
5 people are better able to digest and retain knowledge.

6 Senator Johnson. Okay. Thank you. Sorry for going
7 over.

8 Senator McCaskill. No, it is no problem.

9 Ms. McNall, the \$250,000 figure that you cited in your
10 testimony a few minutes ago, that is the first we have ever
11 heard that number.

12 Ms. McNall. I apologize.

13 Senator McCaskill. Well, you know, we have been at
14 this since 2010.

15 Ms. McNall. Yes.

16 Senator McCaskill. I have been writing letters. We
17 have been trying to communicate with you and your agency.
18 Now, we got some spreadsheets, finally, on Friday--

19 Ms. McNall. Yes.

20 Senator McCaskill. and Ms. Langan-Feirson, I am not
21 even sure if you have seen these, but we have got--on
22 Friday, you finally gave us some information that says your
23 Air Traffic Training Detail for fiscal year 2012 is \$359
24 million, is that correct?

25 Ms. McNall. I believe that would be for the--if that

1 is the sheet that shows the cost of FAA providing the
2 training, I do not believe that sheet necessarily includes
3 the contractor training.

4 Senator McCaskill. You do not know whether it does or
5 does not?

6 Ms. McNall. I hate to put it this way. I am trying
7 to--from that sheet, that would be FAA cost only.

8 Senator McCaskill. This is FAA costs only?

9 Ms. McNall. Yes.

10 Senator McCaskill. Okay. And is there a reason why
11 this was unavailable to us for years and we got it the
12 Friday before the hearing? Would you not have this
13 available?

14 Ms. McNall. We do have that available. We have had
15 that information available. I am sorry I did not know, at
16 least personally. I, too, only joined this job fairly--
17 well, 2011. Anyway, I did not know that you wanted that
18 data, but, of course, we will be happy to provide that data--
19 -

20 Senator McCaskill. Well, let me just explain what we
21 are trying to do here.

22 Ms. McNall. Yes.

23 Senator McCaskill. We are trying to figure out if you
24 know what this costs.

25 Ms. McNall. Yes, ma'am.

1 Senator McCaskill. And we are trying to figure out if
2 you know what it is you are buying.

3 Ms. McNall. Yes.

4 Senator McCaskill. I get that what you are doing is
5 complicated.

6 Ms. McNall. Yes.

7 Senator McCaskill. But, at the end of the day,
8 acquisition is about the people who know what they need
9 buying it and having some idea what it costs.

10 Ms. McNall. Absolutely.

11 Senator McCaskill. So, you understand my concern that
12 we would have two IG reports and we would have a lot of
13 criticism about cost overruns, and for the first time at
14 this hearing, we finally hear a figure about what you think
15 it costs to train someone to be a functioning, well-
16 informed, well-trained air controller, and the Friday before
17 the hearing, we finally get numbers--do you have these
18 numbers, Ms. Langan-Feirson?

19 Ms. Langan-Feirson. No, I do not.

20 Senator McCaskill. Have you tried to get these
21 numbers?

22 Ms. Langan-Feirson. The--in our report, we have--
23 those--I do not know what those numbers are, but in our
24 report, basically, one of the findings that we have is that
25 the FAA is responsible for the on-the-job training.

1 Raytheon is responsible for the Academy training and the
2 developmental training, and then they get handed off for on-
3 the-job.

4 Senator McCaskill. Right. Right.

5 Ms. Langan-Feirson. The point is that the contract
6 costs are under the contract and there are other costs that
7 the FAA incurs to train an air traffic controller. You need
8 to put those two together to get the total cost.

9 Senator McCaskill. Absolutely.

10 Ms. Langan-Feirson. And when we went into the field
11 and we interviewed people in the field, we asked them
12 whether they were capturing the costs for kind of the off-
13 loading of the courses that Raytheon could not train because
14 they ran up against the cost ceilings, were those being
15 captured, those costs that the controllers were basically--

16 Senator McCaskill. Absorbing.

17 Ms. Langan-Feirson. They were self-performing and
18 absorbing.

19 Senator McCaskill. Right.

20 Ms. Langan-Feirson. And we do not think that they are.
21 We know that the FAA is basically capturing what they call
22 OJT costs, which those probably are, but we did not see
23 accounting codes that would then differentiate and kind of
24 pull out those costs that were being self-performed that
25 should have been performed our would have previously been

1 performed under the Raytheon contract.

2 Senator McCaskill. So, the issue here is this.
3 Complicated training, but this is to try to simplify the
4 problem we have. They cannot train, under the contract they
5 have been given, do as much work as they need to be doing.
6 You had to up the--you ran out of money. You had to start
7 the option early, because you guys ran out of money, and you
8 have cut staff by, what, 30 percent, that are doing the
9 training?

10 Ms. Dugle. At various points in the contract.

11 Senator McCaskill. Yes. Well, you have had to cut
12 staff because there is not enough money. So, that means
13 that the agency is absorbing the costs of doing some of the
14 training that Raytheon is not doing now. So, if you are
15 going to recompetete this contract, you cannot do it unless
16 you figure out what everything costs--

17 Ms. McNall. Right.

18 Senator McCaskill. --and have nay hope that the amount
19 you are paying for the contract is the right number. That
20 is my sense of urgency here. I am very respectful that this
21 is hard. But if you are not even attempting to capture your
22 costs that you are absorbing because the contract amount is
23 clearly not correct, then all we are going to have is more
24 of this ad nauseam in the future until you figure that out.

25 So, is the \$250,000 number one I can bank on at this

1 hearing? Is that the number it costs to adequately train
2 air controllers in the FAA?

3 Ms. McNall. That is our best calculation. It is an
4 average figure. Keep in mind, individual controllers--

5 Senator McCaskill. And that includes both Raytheon
6 money and the money that the agency is spending?

7 Ms. McNall. Yes. In addition, if I may, one of the
8 points, as the Inspector General pointed out, was the
9 importance of us tracking costs that our controllers are
10 incurring, particularly if they are going to pick up
11 training that Raytheon otherwise could have performed,
12 right. That sheet that we provided you has different
13 categories of training put on it. One of those categories
14 is on-the-job training, which is the type of training that
15 the FAA controllers have always done. That is work that
16 Raytheon has never done, and, frankly, it is our
17 anticipation no contractor would be doing, right.

18 Senator McCaskill. Right.

19 Ms. McNall. That is the last step, right.

20 Senator McCaskill. Of course.

21 Ms. McNall. You will also see a category in there
22 called "Proficiency Training." That is a type of training
23 that Raytheon has historically performed. That is a type of
24 training that we have moved in-house, and there are a number
25 of very good reasons that I will be happy to go into if you

1 like, but you will see that we are tracking that cost.

2 Another cost is called "Training, Other." It is under
3 a "Training, Other" category that we track the time our
4 controllers spend providing training that otherwise would
5 have been done by Raytheon, all right. So, we are tracking
6 all those types of costs.

7 The other item that the Inspector General quite rightly
8 brought up was the potential of overtime. We are continuing
9 to track overtime to see if there is any increase or
10 decrease. And, in fact, our overtime cost had been,
11 overall, decreasing, and it is less than 1.7 percent
12 currently.

13 So, yes, I fully agree with the Chairman. It is very
14 critical that we have a good understanding of our cost and
15 what is the right mix to be using between our--when we use a
16 contractor or when we are using our own personnel, along
17 with what is the right capability and skills that are
18 involved. So, that is engaged. We are keenly watching
19 that.

20 One of the processes that we have changed since the
21 ATCOTS contract was originally awarded was starting to bring
22 the types of tools--and I apologize for going on--but
23 beginning with the types of tools that we have historically
24 used when making capital investments or information
25 technology acquisitions to our service contracts so that we

1 can do that by alternatives analysis.

2 Senator McCaskill. Well, that would be--yes, and here
3 is the thing. My colleague, who I have a great respect for
4 because I think that he would agree with me, it would be a
5 good idea if every member of the Senate has had to make a
6 payroll, it would be a great requirement for this job,
7 because I guarantee you, if you were a private business, you
8 would have figured out these costs before you had cost
9 overruns of \$89 million over a period of just a few years.
10 You would have figured it out. You would have figured out
11 whether or not it was cheaper or more expensive to have
12 Raytheon be doing this and asking for increased contract
13 amounts or whether it is more expensive for the Government
14 to be doing it.

15 To be honest, Ms. McNall, I think you are just now
16 getting your arms around that. I think you went years
17 thinking it was not that big of deal, and I think that is
18 why we are here, because I think if you thought it was that
19 big of deal, you would not have had this same major finding
20 in an audit two years after the first one, and that is what
21 brought us here today. I did not know how else to get your
22 attention, because it felt like, to me, that you guys
23 thought we were just bothering you, and if you just held on
24 long enough, we would go away.

25 I can assure you, I am not going away. We are going to

1 get this fixed. And when you recompete this contract, I am
2 going to be on it like a rabid dog, watching how this works,
3 whether or not you have finally figured out what you need
4 and what it should cost, and whether it is more cost
5 effective to do some of it in-house and more of it through
6 Raytheon or another contractor, whether you have got the
7 right mix, most of all, if you understand what each
8 different potential would cost, and that is what I think
9 really has been lacking.

10 I have got a few more follow-ups, but I have gone over
11 and I want to turn it over to Mr. Johnson.

12 Senator Johnson. Apparently, we have a vote called, so
13 I will keep this pretty short, but just really second what
14 the Chairman has said. It is about information. It is
15 about being able to have the tools and being able to make
16 that evaluation as to whether or not it is better to do it
17 in-house versus hire an outside contractor and who the
18 different contractors are.

19 Ms. McNall. Right.

20 Senator Johnson. And this is going to just get more
21 complex as you move on to more technology. From my
22 standpoint, I would think moving forward with technology,
23 particularly in an area like air traffic control--I mean, I
24 have watched my son do in-flight simulators, amazed at the
25 technology there. So, I would think, being a real supporter

1 of the private sector and the innovation of the private
2 sector, I would think the private sector would probably be a
3 little more nimble and be able to bring some real
4 technological advancements to the training process to
5 actually improve quality, which, by the way, that has got to
6 be the first consideration--quality, safety. That is the
7 first. I am concerned about cost, but, boy, we do not want
8 to compromise quality and safety at all.

9 But really taking a look at technology, and only with
10 the information, really understanding what the true internal
11 costs are in it, and I recognize that can sometimes be
12 difficult to ascertain, but it all depends on how complex it
13 is in terms of the use of personnel.

14 So, let me quickly ask that question. Do you have
15 full-time trainers within the FAA? Is that their entire
16 task? Or is this also where people have split duties, where
17 they are air traffic controllers at some point in time and--
18 I mean, is just gathering that information also complex, or
19 is it just that there has not really been the desire within
20 the agency to really make a real push on getting the
21 information?

22 Ms. McNall. So, within the agency, we track the time
23 of all of our personnel, including our air traffic
24 controllers, which is then allocated to a particular cost
25 code. That is one of the things the Inspector General--

1 Senator Johnson. So, you should really have very
2 accurate information in terms of really what the training
3 costs would be internally.

4 Ms. McNall. And that is the information we have now
5 provided to the Committee.

6 Senator Johnson. Okay. And, again, so you are saying
7 it is about \$250,000, add to that about \$25,000--

8 Ms. McNall. The \$25,000 includes the contractor cost
9 as well as the FAA employee cost.

10 Senator Johnson. Okay. So, it is \$225,000 plus about
11 \$25,000.

12 Ms. McNall. Right.

13 Senator Johnson. I mean--

14 Ms. McNall. Keep in mind, it, generally speaking,
15 takes about two-and-a-half years to train a controller.

16 Senator Johnson. Right.

17 Ms. McNall. That will include the training cost of the
18 controller who is being trained. Their salaries are also in
19 that--

20 Senator Johnson. So, to me, the metric--but even then,
21 what is the differentiation between full training of a, you
22 know, just a raw recruit versus refresher? Do you have some
23 sort of sense of that breakout?

24 Ms. McNall. Mm-hmm.

25 Senator Johnson. I mean, how much are your training

1 costs in your annual budget, if it is \$360,000--\$360
2 million, how much of that is refresher versus brand new?

3 Ms. McNall. So, that is a very shifting number. In
4 fact, that was one of the changes, again, that we had not--I
5 hate to go back, but if we go back to the length of time to
6 train and why that did not improve, the year 2009 was an
7 anomaly, and one of the reasons that was an anomaly is
8 because the proportion of that training mix was fewer raw
9 recruits and more training of actual controllers in place,
10 which is a shorter period of time, so--

11 Senator Johnson. Okay. So, are you tracking it--as
12 long as we have got this--

13 Ms. McNall. But we track it all.

14 Senator Johnson. --the tracking code--

15 Ms. McNall. Yes.

16 Senator Johnson. --so you should be able to say, this
17 training was done for refresher. This training was done on
18 new recruits--

19 Ms. McNall. Exactly.

20 Senator Johnson. Okay. So, my bottom line, and we
21 have to go to a vote, is the development of better
22 information, not just for the sake of getting information,
23 but actually targeted, and then working with the contractor
24 to actually hone in on what--because it may be a more
25 lucrative contract to Raytheon but save the Government

1 money. The total value proposition here is what we are
2 after.

3 Ms. McNall. Yes.

4 Senator Johnson. But, you need the information. So,
5 again, I just want to second what the Chairman was talking
6 about, is the desire and the need for accurate information--
7 because, again, reading through the Inspector General's
8 report, I just had a lot of questions, and there should not
9 be. I mean, we should really have in a management
10 information system the kind of detailed information that
11 would just really point us in the direction of how we should
12 manage this training--

13 Ms. McNall. Absolutely.

14 Senator Johnson. --because it is crucial.

15 But, with that, I will finish my questioning remarks.
16 Thank you.

17 Senator McCaskill. And we have votes.

18 Senator Johnson. Yes. We have time here.

19 Senator McCaskill. So, I have a little bit more. I
20 would ask your forbearance. I am going to run over and vote
21 and come back. I want to talk about the award fees. It is
22 a thing that I care about. I have done this, and by the
23 way, I have done this--you should talk to the folks at DOD
24 on award fees and performance fees--Raytheon knows I have
25 been on this--about how we do this and whether or not we are

1 using them as the tools they should be used, and a few other
2 questions. So I am going to run, vote, and come back. It
3 should be ten minutes, 15 minutes at the max. Thank you.

4 Senator Johnson. She is letting you off the hook.
5 Thank you all.

6 [Recess.]

7 Senator McCaskill. I am so sorry. I will tell you,
8 though, it is not lost on me that I sit up here and rail
9 against Government agencies for being inefficient and
10 ineffective and I am a member of the United States Congress.
11 I just want you to know, I get the joke.

12 [Laughter.]

13 Senator McCaskill. This is one of those days that I
14 feel that in a painful way, that this is an ineffective and
15 inefficient Congress.

16 Let me go through just a few more things I want to make
17 sure we get on the record before we close today, and I do
18 not have--we have covered most of it. Who would you say is
19 in charge of this program?

20 Ms. McNall. So, the person--

21 Senator McCaskill. You need to turn your microphone
22 on.

23 Ms. McNall. So, we have a program manager who works
24 within the Air Traffic Organization who is in charge of the
25 program. That person reports directly to the Air Traffic

1 Vice President for Safety and Technical Training. I--

2 Senator McCaskill. Is there an Air Traffic President?

3 Ms. McNall. There is an Air Traffic Chief Operating
4 Officer.

5 Senator McCaskill. But then there is a Vice President?

6 Ms. McNall. There are several Vice Presidents.

7 Senator McCaskill. Weird.

8 Ms. McNall. We are a little bit of a different agency.

9 Senator McCaskill. That is weird. We do not have Vice
10 Presidents in Government unless his name is Biden.

11 [Laughter.]

12 Senator McCaskill. We have it in private companies,
13 but we do not have it typically in agencies. So, you would
14 say that the Vice President is the person who ultimately has
15 the responsibility for the effective operation of this
16 program and the effective use of contracts in support of
17 this function?

18 Ms. McNall. He is the one responsible for seeing that
19 air traffic controller training is done effectively and
20 efficiently. I am the one who is responsible for seeing
21 that the contracts he needs to accomplish that are done
22 appropriately.

23 Senator McCaskill. Okay. Who do both of you report
24 to, in common?

25 Ms. McNall. The Administrator.

1 Senator McCaskill. So, the boss of this program is
2 really Huerta--

3 Ms. McNall. Always.

4 Senator McCaskill. --because you have one on the
5 programming side, one on the acquisition side, and the only
6 time the two of you meet is at the very top.

7 Ms. McNall. From an organizational perspective. Now,
8 of course, I meet with the Vice President at least monthly,
9 and then I have a variety of oversight processes--

10 Senator McCaskill. But you do not work for him.

11 Ms. McNall. No, I do not.

12 Senator McCaskill. And he does not work for you.

13 Ms. McNall. Correct.

14 Senator McCaskill. So, I am trying--I have learned--

15 Ms. McNall. You are right.

16 Senator McCaskill. I have learned the hard way that if
17 you do not figure out who is in charge, the chances of you
18 getting something fixed go down exponentially. So, you are
19 telling me that, ultimately, if he is not doing his job or
20 you are not doing your job, the only person who can make you
21 accountable is, in fact, Administrator Huerta.

22 Ms. McNall. That would be correct.

23 Senator McCaskill. Okay. Let us talk about award and
24 incentive fees. What is your understanding of what the
25 contractor had to do to get what I think most Americans

1 would call bonuses?

2 Ms. McNall. Yes. What the contractors had to do to
3 achieve both its incentive fee and its award fee has varied
4 over the period of the contract.

5 Senator McCaskill. Let us start with--what was the
6 first bonus and incentive fee they got?

7 Ms. McNall. Right. So, in the first year of the
8 contract, we established a target fee--a target cost, right.
9 The share ratio on that target was 50/50. So, for each
10 dollar that he incurred--the contractor incurred above that
11 target cost, reduced his fee by 50 percent. Each dollar
12 below that target cost reduced that fee by 50 percent. That
13 first year, because of the cost overruns--up to a min and
14 max in each case. So, at some point, the fee that he can
15 add to that target is limited, and the same thing at the
16 top. As cost growth, he gets a minimum fee.

17 The first year, the contractor ended up with the
18 minimum fee. The same--

19 Senator McCaskill. Wait a minute. Wait a minute.

20 Ms. McNall. Mm-hmm.

21 Senator McCaskill. So, he did get the fee that was
22 supposed to be incentivizing costs.

23 Ms. McNall. He got the smallest amount of fee possible
24 under the--

25 Senator McCaskill. And how much was that?

1 Ms. McNall. --contract. Roughly \$1.5 million.

2 Senator McCaskill. Okay. So, he got \$1.5 million in a
3 year that the cost overruns were \$31 million.

4 Ms. McNall. Yes.

5 Senator McCaskill. Why did he get anything?

6 Ms. McNall. When we bid the contract, and this is one
7 thing that is always done when you are bidding a cost plus
8 incentive fee contract, is--at least in best practices--you
9 allow the companies to propose back to the Government what
10 that target ratio should be, and then what the minimum and
11 maximum fees should be, and that--you then pick on what you
12 think is the best value for the Government. In this--

13 Senator McCaskill. Well, how can it be a value for the
14 Government if the cost overruns are \$31 million and we still
15 give them money for doing a good job on cost? Do you
16 understand that sounds weird?

17 Ms. McNall. I absolutely understand that sounds weird.
18 It was a very, very small fee for the amount of work done,
19 and the contractor was successful in performing the
20 contract. I fully--but, I understand, right, this was not a
21 controlled cost. I have other contracts where the
22 contractor will bid and we will agree and write into the
23 contract, there is no minimum fee, but that was not this
24 contract.

25 Senator McCaskill. Okay. The FAA's award fee

1 contracting guideline--

2 Ms. McNall. Yes.

3 Senator McCaskill. --says no performance element
4 should be incentivized more than once.

5 Ms. McNall. Correct.

6 Senator McCaskill. That is exactly what you did when
7 you offered Raytheon an incentive fee and an award fee for
8 containing costs. Why did that happen?

9 Ms. McNall. In all honestly, I was not in this job at
10 the time that that happened, in their first years of the
11 contract, so I cannot tell you exactly what that happened,
12 other than the fact that the agency at that point was very,
13 very interested in controlling cost. As you pointed out, we
14 were incurring cost growth and we wanted to bring it under
15 control.

16 Senator McCaskill. So, there were \$14 million in the
17 first four years of the contract in incentive and award
18 fees. Is that a correct figure?

19 Ms. McNall. Excuse me just a moment.

20 [Pause.]

21 Ms. McNall. That looks--\$17 million in incentive fee
22 and--but more than that in the award fee.

23 Senator McCaskill. Can you help--

24 Ms. McNall. Of course, that is going through the first
25 five years.

1 Senator McCaskill. That is five years.

2 Ms. McNall. We will be happy to get back to you.

3 Ms. Langan-Feirson. During the base period, there were
4 \$14 million in cost incentives and approximately \$17 million
5 in award fees--

6 Ms. McNall. Yes.

7 Ms. Langan-Feirson. --for a total of \$31 million.

8 Senator McCaskill. Okay. Thirty-one million. And
9 during that same period of time, what were the cost
10 overruns?

11 Ms. Langan-Feirson. The cost overruns were \$89
12 million.

13 Senator McCaskill. Okay. So, we had cost overruns of
14 \$89 million and we had two fees that were supposed to be
15 incentivizing costs--two incentive and award fees
16 incentivizing costs and they got \$31 million.

17 Ms. McNall. That is correct. The award fee
18 incentivized more than simply cost control.

19 Senator McCaskill. What else did it incentivize?

20 Ms. McNall. It incentivized, basically, performance of
21 the contract. It successfully trained the controllers that
22 we needed to have trained.

23 Senator McCaskill. And what were the metrics on that?

24 Ms. McNall. So, that is where the metrics varied for
25 each performance period.

1 Senator McCaskill. Who decided what the metrics were?

2 Ms. McNall. So, the FAA did.

3 Senator McCaskill. Well, I thought that Raytheon
4 developed the performance metrics early in this contract,
5 that the FAA did not do the performance metrics but, rather,
6 they were drawn up by Raytheon.

7 Ms. McNall. So, during--as part of the contract
8 bidding process, each company bid metrics, proposed metrics,
9 for the award fees. One of the reasons why we asked for
10 them to bid the proposed metrics for the award fee was to
11 see how well they understood what the contract was aiming
12 for and how good they were at metrics development, which
13 would give us a clue as to how good they might be at
14 actually achieving those metrics. So, Raytheon bid proposed
15 metrics. The FAA changed those metrics before we awarded
16 the contract. But we did accept some of them, the basic
17 underlying premise of them.

18 Senator McCaskill. Okay. So, you had a set of metrics
19 before this contract was--before you had the competition on
20 this contract, you had a set of metrics developed within FAA
21 that you were going to measure a contractor by.

22 Ms. McNall. In all honestly, again, I was not here at
23 the time, so I do not know that we had those metrics
24 prepared. I can tell you, I guess, that we did allow the
25 offerors to bid proposed metrics to us, and that in this

1 case, before we awarded the contract to Raytheon, we
2 accepted some of their metrics and we changed others and
3 that is what went into the contract for the first award fee
4 period. Thereafter, the agency established the award fee
5 criteria.

6 Senator McCaskill. All right. Do you believe that she
7 has characterized this accurately, Ms. Langan-Feirson?

8 Ms. Langan-Feirson. We had a great--I will tell you
9 that, Senator, we had a great deal of difficulty going
10 through the performance measures, because the performance
11 measures on this contract varied from period to period. In
12 the beginning, in our first report, it was reported that
13 some of the performance measures, Raytheon was assisting
14 with the development of the measure.

15 But, I will tell you, in the second report, we did look
16 at Award Fee Periods 5, 6, and 7 of the base contract and
17 there were essentially four performance measures, two of
18 them associated with cost, that were totally ineffective
19 because the costs kept changing, and there was one
20 associated with quality assurance which was relatively
21 effective, and then there was the one about staffing
22 efficiency that we put in the report--

23 Senator McCaskill. Right.

24 Ms. Langan-Feirson. --which we did not find effective.
25 So, we did not find that the award fee performance measures

1 were very effective on the contract.

2 Senator McCaskill. And the new fee structure, the new
3 award fee structure after the exercise of the option, it is
4 my understanding, Ms. Langan-Feirson, that your report--in
5 looking at your report, you saw some conflict there. Could
6 you talk about that.

7 Ms. Langan-Feirson. There were five performance
8 measures in the first period. We were only able to audit
9 what is called Award Fee Period 8, which is the first
10 performance period in the option, and there were basically
11 five performance measures. It is the first one that was the
12 most troubling to us, which basically required that Raytheon
13 deliver the performance work state and the annual workplan
14 requirements, but also stay within the cost target. If they
15 did not do one or the other, they would fail. If they had
16 an unsatisfactory, they would fail all of the other
17 performance measures. So, while there might have been other
18 performance measures that would have incentivized the
19 contractor, those all went out the window if you achieved an
20 unsatisfactory on either one.

21 We also felt it was very troubling, because if you met
22 the target cost, what essentially happened was you were not
23 delivering enough training, and vice-versa. If you
24 delivered enough training, you might not have been under the
25 target cost. We did not think this was a very effective

1 performance measure.

2 Senator McCaskill. And that has got to be really hard
3 for Raytheon, because you cannot do both. That is
4 impossible with this contract, correct?

5 Ms. Dugle. It is correct. What we are trying to do is
6 optimize the value of every training dollar, but at some
7 point, we are capped on the amount of training that we can
8 deliver due to the constraints of the budget.

9 If I may, Senator, I just wanted to clarify or expand
10 upon one point that you made. It is obviously factual that
11 Raytheon received approximately \$31 million in fee over the
12 time period.

13 Senator McCaskill. In addition to cost-plus.

14 Ms. Dugle. Well, that is the entire fee that we
15 earned, and that is what I wanted to clarify, is that it was
16 not a bonus on top of any kind of normal fee. It was simply
17 those were the dollars that we earned on the work that we
18 did. And I would make the point that, yes, the budget, we
19 expended more than was budgeted, but we trained between 40
20 percent more students in year one and in net over the four
21 year, 20 percent more students. And so it is a bit
22 counterintuitive to say the contract was overrun and you are
23 being paid fee, but you have to equate it back to the volume
24 of students. Otherwise, it would be an unfair burden on a
25 company.

1 Since year one of this contract, each year, we sat down
2 with the FAA. We target the amount trained and the dollars.
3 And since that time, since year one and the 1.5 percent fee
4 that Ms. McNall referenced, in years two, three, and four,
5 we have hit our targets and we have delivered to those
6 numbers. I bring that forward because we are improving
7 progressively as we go and I just wanted to go on record
8 that incentive and award fee is the only monies earned. It
9 is not in addition to any other kind of base beyond the
10 program.

11 Senator McCaskill. Okay; I am confused. So, I thought
12 this was a cost-plus contract.

13 Ms. Dugle. It is.

14 Senator McCaskill. So, you get your costs plus a
15 margin of profit.

16 Ms. Dugle. We get our costs plus an incentive fee
17 award and an award fee. Those comprise our fee.

18 Senator McCaskill. So, the incentive--so, both the
19 incentive fee and the award fee is the only thing that you
20 are getting above your costs?

21 Ms. Dugle. Yes, ma'am.

22 Senator McCaskill. So, this is not a cost-plus-award
23 contract. This is just a cost plus incentive fee or award
24 program.

25 Ms. McNall. Yes.

1 Ms. Dugle. Yes.

2 Senator McCaskill. Oh, okay. Well, that makes a
3 difference. Well, you guys need to redo this. This is a
4 mess, because it is too hard--it is counterintuitive--all of
5 it is counterintuitive. You all are being asked to train X-
6 amount of people on not enough money to do that. You all
7 are absorbing all the costs that they cannot do without
8 really having a handle on what that is costing you every
9 year. And, meanwhile, the only way they make any profit on
10 them is giving them award and incentive fees for holding
11 down costs when you have paid them more than the contract
12 was worth most of the years they have had the contract. And
13 you wonder why people shake their head. I mean, we have got
14 to do better at this.

15 So, are you ready with performance metrics for the
16 rebid?

17 Ms. McNall. We have not yet decided whether or not we
18 will use performance metrics for the rebid. One of the
19 concerns we have is exactly what you have raised. We have
20 had a great deal of difficulty of establishing good award
21 fee criteria and a question of--incentive fee works
22 absolutely wonderful if we can hold the target cost
23 accurately, right, so there are no changes to the contract.

24 Senator McCaskill. Right.

25 Ms. McNall. If I cannot do those two things, then I

1 have to question whether or not I should do either an award
2 or incentive fee.

3 Senator McCaskill. So, what is wrong with price
4 certain? You know the different kinds of training, right?
5 You may not know how much you are going to do in each
6 category, but you are going to have just as much luck
7 predicting that as you have had predicting everything
8 through this whole contract. What is wrong with a price
9 certain?

10 Ms. McNall. So, what we are considering is a
11 combination of firm fixed price, for example, possibly for
12 the Academy training--this is not to say we have made any
13 decisions, and, of course, I do not want to give any--too
14 much advance information that I have not otherwise released
15 to--

16 Senator McCaskill. Well, I think people, if you are in
17 this hearing room--

18 Ms. McNall. Yes.

19 Senator McCaskill. --they know I like price certain a
20 lot better than cost-plus.

21 Ms. McNall. And I fully agree with you. So, mixed
22 with a time and material contract is what we are looking at.

23 Senator McCaskill. So, do you think that you all are
24 prepared on the innovation front? Do you think it is
25 realistic that you can get real innovation with two percent?

1 I think \$16.7 million of the \$859 million that has been
2 spent was spent on innovation. Do you think that is a
3 realistic percentage to actually achieve innovation?

4 Ms. McNall. No, I do not. The reality is the agency
5 does not currently have the budget we would need to do the
6 innovation that we know we need to do. Long-term with the
7 innovation, it will save the agency money.

8 Senator McCaskill. Right.

9 Ms. McNall. We also know that. It is short-term
10 funding that I am struggling to find.

11 Senator McCaskill. What was going on internally, after
12 the IG made the recommendation to assess the long-term
13 outlook of the ATCOTS program, prior to exercising the
14 option? Why was that recommendation ignored before you
15 exercised the option? What was going on internally that
16 caused that particular recommendation to be set aside?

17 Ms. McNall. With the greatest respect, actually, we
18 took the recommendation very seriously. So, before we
19 exercised the option on the contract, we asked ourselves the
20 following questions. Do we now have enough basis to
21 understand what our training requirement is? Do we
22 understand it well enough that we can establish a target
23 cost? And can we now manage this contract like a
24 performance-based contract rather than the level of effort
25 contract, which, in all honesty, for the first few years of

1 the contract, we treated it much more like a level of effort
2 contract than performance-based.

3 At the same time, our number one priority is always
4 safety and efficiency, so the one thing we knew we could not
5 let drop is that steady rate of training. We need that rate
6 of training to continue without interruption. So that was
7 number one.

8 Then it became a question of, well, what is the best
9 vehicle? What is my best acquisition vehicle to get to the
10 spot I need to be right now, right, as we are using money,
11 and then where do I want to go in the longer term?

12 Senator McCaskill. Could you speak to what you think,
13 Ms. Langan-Feirson, in terms of the exercising the option?
14 It appears from the outside that it looked like that they
15 just decided to ignore it, but you have spent a lot more
16 time inside this agency than, obviously, I have. I want to
17 get your take on what you think occurred.

18 Ms. Langan-Feirson. I think the most troubling thing
19 for us was that in our first report, we basically
20 recommended that FAA, after the first couple of years of the
21 overruns, get their arms around this. So, we gave them
22 forewarning. Three years later, okay, they were backed up
23 against the wall in contract year four. Eight months in,
24 they were almost at 80 percent of the contract ceiling and
25 they did not have very much time. They basically briefed a

1 business case up the chain and the business case was, we are
2 out of time, okay. They did not have many options left.
3 This was due to lack of advanced planning, plain and simple.
4 That is what was going on.

5 Senator McCaskill. So, I guess--I have other
6 questions, but you have waited. You have been here--I have
7 had you here for a long time, especially in light of the
8 fact that I had to leave and do votes. Do you feel like
9 that you--you have been there since when, Ms. McNall?

10 Ms. McNall. Two-thousand-eleven.

11 Senator McCaskill. And what part of 2011?

12 Ms. McNall. January.

13 Senator McCaskill. Okay. So, you now have three full
14 years.

15 Ms. McNall. Yes.

16 Senator McCaskill. Do you have the adequate resources
17 and the expertise available to you that you can plan for
18 this next competition in a way that the recommendations that
19 have been made in two different IG reports will be fully
20 embraced?

21 Ms. McNall. Yes.

22 Senator McCaskill. Okay. That is the answer I wanted.
23 That means we have had success. I thank you.

24 I thank all three of you. I think you are all strong,
25 competent, smart women that are working hard at the task you

1 have been given and I hope that you understand that I am
2 weird. I like contract oversight, and this is, as you know,
3 I do this in many agencies.

4 Somebody said something, because I have been on the FAA
5 about electronic devices, somebody tweeted me today, "What's
6 up with you and the FAA?" I said, well, I just love the
7 FAA.

8 [Laughter.]

9 Senator McCaskill. I hope I have as much success with
10 the rebidding of this contract next year as I had with
11 finally allowing us all to use our electronic devices when
12 we take off and land.

13 So, thank you very much, and we will get you more
14 questions for the record.

15 Ms. Dugle. Thank you, Senator.

16 Ms. McNall. Thank you.

17 [Whereupon, at 4:36 p.m., the Subcommittee was
18 adjourned.]