



U.S. Department
of Transportation

**Federal Aviation
Administration**

Office of the Administrator

800 Independence Ave., S.W.
Washington, D.C. 20591

July 18, 2012

The Honorable Claire McCaskill
United States Senate
Washington, DC 20510

Dear Senator McCaskill:

Thank you for your June 22 letter about the Federal Aviation Administration's (FAA) Air Traffic Control Optimum Training Solution (ATCOTS) contract.

As noted in your letter, the FAA awarded the ATCOTS contract to Raytheon Technical Services Company, LLC, on September 9, 2008. The ATCOTS contract is intended to provide supplemental training support for new and existing controllers and to assist the FAA in modernizing its controller training program to adapt to new technologies, including the Next Generation Air Transportation System.

Since Fiscal Year 2007, the FAA has hired more than 7,500 new air traffic controllers and continues to meet its overall goals for time-to-certification and number of controllers certified. ATCOTS contributes to the Agency's overall success; however, we acknowledge that success came with an unacceptable cost growth and that we did not effectively manage the contract in the past.

We have reviewed and documented weaknesses in the way the contract was managed and have taken a number of steps to correct and improve contract performance. Fundamentally, we failed to effectively manage the field training requirements under this contract, and we did not adequately anticipate the resulting additional contract costs and fees. Those additional costs exceeded the originally negotiated contract award for each base year and reflected the inclusion of the following challenges that were magnified after the initial award:

- En Route Automation Modernization, Tower Simulator System, and Certified Professional Controller-In-Training training;
- Mirroring existing field support during transition from previous contract support; and
- Tailoring augmentation to each facility's requirements.

As the 2010 Inspector General (OIG) report pointed out, there were a number of recommendations made to improve contract management practices for improved oversight of the ATCOTS contract. Of the nine recommendations, all but three have been implemented and

successfully closed by the OIG. We are working diligently to address all of the remaining recommendations from the 2010 OIG report.

Due to ineffective management of the contract, the yearly contract ceilings were exceeded by 35 percent and 33 percent in years 1 and 2, respectively. We have limited the pace of growth to 24 percent for year 3 and will further limit to within 10 to 15 percent of the yearly ceiling in year 4. The following summarizes the actions we have taken to reign in the costs and to improve oversight of the contract:

- Implemented stronger contract management procedures/principles;
- Improved contract surveillance focused on outcomes;
- Implemented process and procedures to accurately assess facility training requirements;
- Developed a resource allocation tool and training priority index for each facility;
- Completed an Independent Government Cost Estimate and begun the collection of requirements from the Academy and field facilities to ensure demand for supplemental resources does not exceed the original estimated cost;
- Proposed new performance metrics for the upcoming evaluation period 8, which is expected to begin September 9, 2012;
- Improved the performance levels and measures to compute contractor fees; and
- Increased staffing in the FAA program office that oversees ATCOTS.

The FAA is estimating that we will reach the base contract ceiling amount by August or September. With the implementation of stronger contract management principles, the costs of the contract are being controlled. As noted in your letter, the contract was awarded with a base period of 5 years and two option periods (a 3- and 2-year period). Plans to perform all 10 years were predicated on exercising both option periods as well as decreasing the ATCOTS training support. Exercising option years are at the discretion of the Government.

Although the ATCOTS contractor has received ratings that reflect meeting and/or exceeding the performance metrics identified in the ATCOTS contract, we have notified the contractor that we are in the process of negotiating changes to current metrics. Three of the four performance metrics have essentially remained the same for the last three reporting periods and do not reflect all of the acquisition goals of the contract.

As you requested, I have enclosed a copy of the award and incentive fees received by Raytheon under the ATCOTS contract, including the overall value and percentage of the total available fee for each relevant period.

Future of the ATCOTS Contract

After considering several alternatives, we determined that exercising the first option on the contract is necessary to ensure we are able to manage high levels of expected retirements and retain the capability to sustain approximately 3,000 controllers in certification training. The other alternatives that we considered were unacceptable from a training delivery and cost perspective. The decision to exercise the first option on the ATCOTS contract allows for uninterrupted training services to the FAA Academy and field facilities.

For all subsequent years, we fully expect to achieve the best combination of training provided by facility staff and supplemental contract training. In parallel, we will ensure that those requirements do not exceed the yearly base value amount. This strategy will enable us to better assess field training demands and foster in-house development of best practices for training quality and consistency. These activities align with the ATCOTS performance-based service contract focusing on outcomes through surveillance of the contractor.

While, as your letter suggests, a bridge contract would be ideal to implement, the procurement effort for a bridge contract is nearly identical to that required to pursue a new acquisition. We do not believe that such an option would be practical while still retaining our right to terminate any contract whenever we determine that it is advantageous to the Government.

The FAA has demonstrated over the past several years that it can handle the long-predicted wave of air traffic controller retirements; in fact, the Agency was able to increase controller staffing following a decline in 2006. By 2009, the Agency had over 5,000 controllers in training. Since the number of controllers in training is now approximately 3,000, we are now in a better staffing position to self-perform a greater amount of the training requirements. The overall average time to train certified air traffic controllers is approximately 2.5 years; therefore, consistent with the Controller Workforce Plan, the FAA hires in advance to meet expected attrition, including retirements.

The steps we described illustrates our commitment to conduct enhanced surveillance of the ATCOTS contract to produce cost and organizational benefits. These measures will also enable us to develop acquisition strategies for future training objectives.

If I can be of further assistance, please contact me or Roderick D. Hall, Assistant Administrator for Government and Industry Affairs, at (202) 267-3277.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. Huerta", with a circular flourish at the end.

Michael P. Huerta
Acting Administrator

Enclosure

