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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

MICHAEL L. ALEXANDER, STAFF DIRECTOR
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June 22, 2012

Michael P. Huerta
Acting Administrator
Federal Aviation Administration
U.S. Department of Transportation
800 Independence Avenue, SW
Washington, DC 20591

Dear Mr. Huerta:

I am writing to request information regarding the Air Traffic Controller Optimum Training Solution (ATCOTS) contract.

In September 2008, the Federal Aviation Administration (FAA) awarded the ATCOTS contract to train new and existing air traffic controllers and to help FAA improve controller training by reducing training times and costs and by developing innovative training which can be adapted to new technologies, including the Next Generation Air Transportation System. The cost-plus incentive/award fee contract, which was awarded to Raytheon, has a base period of five years, originally valued at \$437 million, and two option periods (a three-year period and a two-year period), valued at \$422 million.

In a report issued on September 30, 2010, the Department of Transportation's Office of Inspector General found major problems in the contract for the ATCOTS program, including significant cost overruns, poor procurement practices, and a lack of effective contract oversight. The Inspector General found that the costs of the ATCOTS contract exceeded estimates by \$46 million in its first two years, and that the increased spending still was not sufficient to cover promised innovations. According to the Inspector General, the primary reason for the increased costs was FAA's failure to adequately define the contract's requirements. The Inspector General also questioned FAA's decision to allow Raytheon to develop the measurements used by FAA to determine how much to pay Raytheon in award and incentive fees.¹

¹ Department of Transportation Office of Inspector General, *FAA's Air Traffic Controller Optimum Training Solution Program: Sound Contract Management Practices Are Needed to Achieve Program Outcomes* (Sept. 30, 2010).

On November 7, 2011, I asked the Inspector General to conduct a follow-up review of the ATCOTS contract. This review is ongoing, but in a recent status briefing I received information from the Inspector General that shows that FAA has not corrected the serious contract mismanagement identified in the Inspector General's first report.

I have also learned that the costs of the contract have continued to skyrocket. According to FAA's estimates, the FAA will have exhausted all of its base contract funding by August 2012, one year before the five-year contract is due to end. To address the shortfall in funding and continue the training, FAA may be planning to exercise the first three-year option period earlier than anticipated. FAA may also be planning to eliminate one year from the original ten-year period of performance and to further reduce contractor staffing in order to cover the ongoing cost overruns.

I have serious concerns regarding this approach. Exercising the option early would commit FAA to a three-year contract without addressing the need to update cost estimates, define training requirements, and develop and implement appropriate performance measures. Instead, it appears that FAA plans to continue the ATCOTS contract without adequately addressing many of the issues which have led to the current cost overruns and performance shortfalls.

I also question whether these decisions are in the best interest of the taxpayer. FAA has already spent nearly \$437 million under the ATCOTS contract without achieving the original goals of the contract, including reducing costs, reducing training time, or developing new and innovative training. The decision to continue the contract unchanged should not be made lightly.

I request that you provide information to the Subcommittee regarding the future of the ATCOTS contract, including any information regarding FAA's consideration of alternate approaches, such as awarding a short bridge contract to allow time to competitively award a new contract. I also request that you provide information regarding the award and incentive fees received by Raytheon under the ATCOTS contract, including the overall value and percentage of total available fee for each relevant period. I request that you provide the information before any final decision is made to award the three-year extension and in no event later than **June 29, 2012**.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress). An attachment to this letter provides additional information about how to respond to the Subcommittee's request.

Michael P. Huerta
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Please have your staff contact Margaret Daum at (202) 224-4462 with any questions.
Please send any official correspondence relating to this request to
Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

cc: Rob Portman
Ranking Member
Subcommittee on Contracting Oversight

Attachment