

STATEMENT OF PAT MCNALL, ACQUISITION EXECUTIVE, FEDERAL AVIATION ADMINISTRATION, BEFORE THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS, SUBCOMMITTEE ON FINANCIAL AND CONTRACTING OVERSIGHT, ON MANAGEMENT OF AIR TRAFFIC CONTROLLER TRAINING CONTRACTS, JANUARY 14, 2014.

Chairman McCaskill, Senator Johnson, members of the Subcommittee:

Thank you for the opportunity to speak to you today about the management of air traffic controller training. A well-trained and fully-staffed air traffic control (ATC) workforce plays an essential role in fulfilling the Federal Aviation Administration's (FAA's) duty to ensure aviation safety. The FAA's most recent controller workforce plan calls for approximately 14,900 air traffic controllers in 2014. Controllers work in air traffic facilities of varying sizes, safely guiding tens of thousands of aircraft through the National Airspace System (NAS) each day. These employees provide air navigation services to aircraft in the U.S. domestic airspace and in the 24.6 million square miles of international oceanic airspace delegated to the United States by the International Civil Aviation Organization. Air traffic controllers are critical to the management and separation of air traffic and the safety of our entire system.

*The ATCOTS contract and the need for ATC training*

Following the air traffic controller strike in 1981, the FAA hired a large number of controllers to replace the previous workforce. By 2005, the FAA faced a unique staffing situation and a profound challenge: more than 70 percent of the ATC workforce would become eligible to retire over the next decade. At the same time, there was an increasing demand for air travel. The FAA projected that it would be necessary to hire and train approximately 17,000 new air traffic controllers over the next ten years (by 2015) in order to meet these challenges. In addition, the

environment for ATC training was changing due to the FAA's efforts to improve training and modernize the NAS, in part by implementing technological enhancements under the Next Generation Air Transportation System (NextGen).

To manage this large training effort, the FAA proposed replacing two existing level of effort training contracts with one performance based services contract. In February 2008, the agency began soliciting offers for the Air Traffic Control Optimum Training Solution (ATCOTS) contract. The ATCOTS contract was designed to provide supplemental training support for new and existing air traffic controllers. The agency set out to ensure that high levels of safety and operational excellence in the air traffic control system continued while it created a cost-efficient air traffic controller training process and trained enough controllers to meet the agency's burgeoning needs.

In September 2008, after running a full competition, the FAA awarded the \$859-million ATCOTS contract to Raytheon Technical Services Corporation (Raytheon). Under this contract, Raytheon was to assist in modernizing the FAA's air traffic controller training program and provide training support for new and existing controllers. In the early years of the contract, however, we encountered significant challenges and cost overruns. At the time, the FAA was facing the challenge of transitioning from two separate contracts for training support (one providing support to the FAA Academy and the other providing support for on the job and field training at over fifty facilities nationwide) to the FAA's first-ever Performance-Based contract for air traffic training. FAA's management was focused on maintaining system safety and training continuity, so the FAA required Raytheon to provide the same level of services as the

prior contractor and, consequently, prescribed performance levels that exceeded Raytheon's proposal (and proposed costs). And, because of a rapidly changing training environment, the FAA underestimated the full scope of training requirements.

These issues contributed to higher-than anticipated costs and led Congress to direct the OIG to initiate an audit of ATCOTS in early 2009. In August 2010, the Office of Inspector General (OIG) released its first report. The OIG made nine recommendations, eight of which had been completed by the time the OIG conducted a follow-up review in 2012 and 2013. The OIG issued its most recent report last month. The latest OIG report contained ten additional recommendations; the FAA concurred with nine of the recommendations and concurred in part with one.

***FAA continues to improve ATCOTS administration***

The FAA has readily acknowledged that we faced challenges in executing the ATCOTS contract, particularly in the early years. We recognized that we must implement new measures and controls to ensure that the benefits of ATCOTS are realized without undue cost to the government. We have taken significant steps to improve the ATCOTS contract management, oversight, and maintenance of costs. I'd like to highlight a few of the improvements we have made in recent years.

The FAA consolidated training under the Office of the Vice President of Safety and Technical Training in order to bring increased management attention to the training program. The goal of this new organization was to improve overall program management. It implemented a new

management framework, which provided the vision, metrics, strategy, and accountability needed to meet the needs and expectations of the FAA.

There were cost overruns in the early years of the ATCOTS contract. In contract year one, costs exceeded the yearly projected ceiling by 35% and in contract year two by 33%. The pace of growth was reduced in years 3 and 4 due to the implementation of stronger contract management controls. During the fourth year of the contract, the FAA was faced with a decision: to determine whether there was a valid single source basis to negotiate an increase to the contract ceiling due to the initial cost overruns or to issue a new sole source bridge contract, or to exercise the first 3-year option and not exceed the total contract ceiling over the 10-year contract period. The FAA decided to not raise the ceiling and live within the total limits of the contract, to exercise the option one year early, and to implement significant adjustments to the existing contract. This option provided the best cost protection for the Government. It also allowed the FAA have necessary training continue and avoid potential cost growth to other programs that are dependent on the ATCOTS contract, while the FAA prepared for a possible competition to replace the ATCOTS contract.

The FAA recently issued a market survey as the first step toward a possible replacement of the ATCOTS contract. It is possible that we will end the ATCOTS contract and replace it with a new competitively awarded contract before the end of this calendar year. If the FAA determines that the existing ATCOTS contract offers the FAA the best value for these services, as compared to any offers that might be received for a replacement contract, the FAA may choose to exercise the last option period under the ATCOTS contract. But, before doing so, we will verify the

continued need for the training services, ensure sufficient funds are available, and evaluate whether the contractor's performance is satisfactory.

In August 2012, the FAA implemented the use of a more precise Annual Work Plan and enhanced program management tools to better prioritize its training needs and ensure that we have timely and accurate cost estimates. While the FAA updates the cost estimate for ATCOTS on an annual basis, it also receives monthly updates to ensure that we are continually responsive to the changing needs of the agency. The very nature of training means that it is somewhat dynamic, since trainees will proceed through the course at various speeds and with varying needs. We are, therefore, constantly assessing our needs and determining our requirements. We now do that in 30-day periods to allow for both precision and flexibility in executing the contract.

With the cooperation of Raytheon and in coordination with the Office of the Inspector General, we restructured how the FAA measures performance and renegotiated the complete set of Acceptable Performance Levels. Those went into effect in September 2012. The renegotiated APLs were crafted to motivate the service provider to improve quality and consistency of training delivery, reduce the time to train, and leverage best practices and innovation within the yearly target cost, which are all consistent with the contract goals. In addition, the current contract calls for a cap on awards and does not allow the service provider to maximize the incentive fee unless the acceptable performance levels and associated performance measures are also maintained. Raytheon is not eligible for any increases in incentive fee if the contractor does not receive at least a "Satisfactory" rating in all award fee determinations made during each

individual six-month performance period. In other words, maintaining quality and cost controls are now linked under to the contract structure and Raytheon does not get the financial reward of meeting one without meeting the other.

We have also implemented a new process for defining monthly requirements and improved communications with the field and contractor to identify training requirements, schedules and resources. In August 2013, the FAA ATCOTS Program Office, in collaboration with Raytheon, developed, completed and rolled out a new training planning tool for use where ATCOTS services have been deployed in the field. This training planning tool:

- integrates the Rolling Wave Planning Book; the Training Staffing Support Plan (TSSP) incorporates training schedules
- identifies resources by category for budget planning to support training requirements in the field
- features a one month look-back (status), current month activities, and a two month look ahead and is updated on a monthly basis.
- identifies developmental, proficiency, certification and recurrent training, and the resources required to perform these activities.

In July 2012, the FAA released a Quality Assurance Surveillance Plan. This plan provides the FAA Integrated Product Team with guidelines to monitor required performance standards and expected outcomes for the service provider. The FAA Contracting Officer has designated two Quality Reliability Officers (QROs) for this contract. The QROs provide surveillance to the overall training requirements under the contract and have the authority to verify that the contractor's quality plan complies with contract requirements. The QROs conduct quality audits, setting up quality standards, and ensure compliance with FAA policies and standards.

The FAA has also implemented procedures to hold FAA oversight staff accountable for overseeing contractor performance at the facilities, including additional training and semi-annual performance evaluations.

These improvements have been instrumental in improving the oversight, management, and administration of the ATCOTS program. I am confident that they will continue to yield benefits as we move forward with our important efforts to provide quality ATC training at the FAA academy and in the field.

### *Going forward*

We appreciate the OIG's thorough review of the ATCOTS contract and we are confident that the measures we have taken, which fall in line with the OIG's recommendations, will allow us to stay on track for the remainder of this contract. We continue to assess our staffing needs and determine whether it is most advantageous to exercise the remaining option under the ATCOTS contract or issue a new contract to meet the agency's continued ATC training needs. There is no doubt, however, that training air traffic controllers will continue to be a critical need for the agency as we continue to ensure the safety of our skies. We estimate that the FAA will hire over 11,700 air traffic controllers through fiscal year 2021 and, in order to meet the demands of the system and maintain safety, we must continue to hire and train ATCS at a steady rate.

Decreased funding, including the effects of sequestration, has created an additional challenge to our ability to hire and train air traffic controllers. All training courses at the FAA Academy have been cancelled since sequestration was implemented and training courses are only resuming this month. The FAA was also unable to hire any new air traffic controllers and will have to

accelerate hiring, pending budget constraints, to ensure that we have a sufficient number of well-trained, competent air traffic controllers to handle the high volume of air travel in the national airspace. This increased rate of hiring will bring with it increased training requirements, beyond what was initially predicted for the coming year. Whenever we face uncertainty about hiring, we also face uncertainty about our training needs and it becomes difficult to predict costs and plan for the best, most cost-efficient training possible. We remain committed, however, to ensuring the safety of the NAS and have not and will not compromise safety, even in these uncertain times.

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