

THE REMARKS OF
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U.S. DEPARTMENT OF TRANSPORTATION
AT THE
AIR TRAFFIC CONTROL ASSOCIATION SYMPOSIUM ON
FAA ACQUISITION: PROCESS AND PROBLEMS
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When Mr. Church asked that I speak today, he said it would be helpful to frame the context for FAA Acquisitions in the September 1998 environment -- the process, successes, and problems -- now that we are well into the third year of acquisition reform.

I appreciate the opportunity to do this, particularly given the excellent and well-qualified panelists and speakers on your agenda today. The mix of panelists and speakers is especially noteworthy because they represent key participants in practically every FAA acquisition -- ultimate users, key legislative officials, contractors, and representatives from relevant FAA organizations.

At the outset, I would like to offer some historical perspective. The current acquisition reform effort was explicitly directed by the 104th Congress in 1995 and 1996 in response to literally years of extensive cost overruns and schedule delays in modernizing the air traffic control system. FAA and others said a major reason for this was an antiquated procurement system, encumbered with arcane and bureaucratic procurement rules and procedures not at all well-suited for an agency that had to operate a dynamic air traffic control system 24 hours a day, 365 days a year.

This was not, however, a particularly original point of view. It first surfaced, so far as my records tell, and some of yours may go back earlier, in the mid-1980s with President Reagan's Linowes Commission and former DOT Deputy Secretary and then Secretary

Jim Burnley. In any event, the 104th Congress said OK, if the procurement system is the problem, consider yourself exempt from these burdensome rules and develop a new acquisition management system suited to your unique needs. Following a similar rationale, Congress also authorized FAA to establish its own personnel system.

The expectations of Congress, the aviation community and the FAA expectation were unambiguous: that relief from burdensome procurement and personnel rules and the establishment of a new system would result in timely and cost-effective acquisitions. So where are we today? Several observations are in order.

First, in April 1996, FAA's new acquisition management system took effect. In addition to streamlining the procurement process, the system:

- Organized the acquisition process into 6 key phases along life-cycle lines—beginning with Mission Needs Analysis and extending all the way to decisions about how or if to extend the life of a system once it was developed, fielded, and operating;
- Was designed (and I underscore designed) to integrate approval of an acquisition and its life-cycle costs with the agency's budgeting process—an element that had been missing in many respects from previous acquisitions;
- Established what is known as the Joint Resources Council -- JRC for short -- to include representatives from all relevant FAA lines of business and make investment decisions;
- Created what are known as Integrated Product Teams -- the idea here was to create teams cutting across organizational lines and stovepipes, emphasizing that the team would have full life-cycle responsibility -- from program inception through the life of the product;
- Established an overall goal to reduce the time required to acquire and field new systems by 50 percent and reduce the costs of acquisitions by 20 percent, both by April FY99.

FAA deserves a great deal of credit for designing and establishing its new system and goals and also for performing or causing to be performed evaluations of its own acquisition reform initiatives. But the proof will be in the pudding as they say, whether the system, as designed, is adequately implemented, especially in high-profile acquisitions. And make no mistake about it, the acid test will be whether new systems are delivered roughly on time, are of high quality, and cost-effective. The bottom-line indicator of success will not be whether a contract is awarded quicker than before or whether there is less paperwork than before; instead, the bottom-line indicators will be outcome-oriented, a key requirement of the Government Performance and Results Act.

Although I do not know of any major acquisitions that have gone from inception to delivery in the new process, there are several early returns, some showing signs of improvement. There are others, particularly high profile acquisitions that graphically illustrate areas where the acquisition system must be strengthened to avoid overruns and schedule slippage.

In a moment, I will overview the signs of improvement and the areas where corrective actions are indicated. However, it is very clear that the areas most in need of corrective action are areas only good and firm management and excellent communication can cure. And they have little, if anything, to do with burdensome procurement and personnel rules or appropriation decisions.

So then, where are the improvements and what needs to be corrected? Let's take the improvements first. I'd like to mention seven of them:

1. The percentage of procurements awarded through competition appears to have increased from about 65 percent pre-reform to about 70 percent post-reform. The reason for this may be that FAA has made it easier – with less paperwork and fewer rules -- to compete, as distinguished from making an award sole source or simply amending an existing contract.

2. Contract awards are made quicker—on average—a couple of months faster -- and the dollars expended for procurement operations and numbers of employees required also have decreased modestly, but so too have the contract dollars awarded.
3. After a set of start-up problems, awards to small businesses and disadvantaged business enterprises appear to be on the increase.
4. There appears to be better up-front communication between FAA, contractors and industry and less paperwork.
5. It is easier to terminate contracts.
6. Integrated Product Teams have been established.
7. The Display System Replacement acquisitions -- each costing over \$1 billion -- benefit from the more disciplined focus provided by the new acquisition system.

Where are corrective actions needed? You'll probably here more about these later today. But allow me to identify six key areas:

1. It is highly questionable whether FAA will reach its goal of reducing the time to field quality products by 50 percent and the cost of doing so by 20 percent by mid-1999. In any event, the agency must continue to improve its baseline data or it will be difficult to credibly measure.
2. Observers have described Integrated Product Teams or IPTs as a horizontal structure with vertical stovepipes -- indicating that team members must get the approval of their home organization or higher-up in FAA before committing to anything significant. As FAA's own internal evaluations attest, there is little question that this is a problem area and a major one. I have seen this problem first-hand, but I think we are better off with the team approach than without it. It's easy to say "just empower the team members to make decisions", but this is easier said than done. This is particularly true when it comes to making budget decisions or deciding on procurement specifications that will not provide the

user community everything that it would like. This symposium deserves an award if it can arrive at a solution about the appropriate decision-making powers of an IPT.

3. The mission-needs component of acquisition reform -- which by the way is phase I of the new acquisition management system -- needs strengthening. For example, we are well into the high profile WAAS acquisition, and mission requirements should be well established. But they are not. We are still trying to sort through the primary versus sole means of navigation issue and all the cost and specification implications that flow from that.

4. Another high profile, \$1 billion-plus acquisition is STARS. This acquisition illustrates well the need to build into acquisition reform a process that assesses human factor requirements for the controllers and maintenance technicians, and, exit criteria for determining what is doable and what is affordable. STARS was initially considered an acquisition that would require very limited software development. Now, rather late in the acquisition -- well after investment decisions and specifications were established -- decisions are on the table about what additional specifications are appropriate. The decisions carry with them enormous cost and schedule consequences. There are lessons learned with STARS. We know now the importance of including human factors up front, but we still must establish a process for deciding when “enough is enough.”

For acquisition reform to work, that decision must be made early in the game. Free flight, the Airport Movement Area Safety System (AMASS), and the use of satellites in air traffic control also contain huge human-factor implications -- so a process must be established and soon.

5. Planning for emerging issues. Acquisition reform must be refined to do a better job of planning for reasonably foreseeable acquisitions. The Year-2000 computer problem and the Host replacement project -- and the dollars and level of effort required to deal with them -- should not have come as a surprise to FAA.

These matters were within FAA's control, but were essentially unfunded and unplanned-for liabilities. They suddenly became priorities in FY98 and this caused rework, funding realignments, reprogramming, and deviations from expectations in other projects.

6. And finally, budget integration. In addition to forecasting budgetary requirements within the Facilities and Equipment account with a higher degree of precision, the implication of funding requirements for the other FAA accounts -- such as agreements with the unions and operations and maintenance needs, will become increasingly important in the next several years. After the budget is settled upon, it also will be important that corresponding adjustments be made in the various FAA accounts. This will be true, regardless of whether the revenue base is the current ticket tax plus general revenues or whether it is financed through user fees. Either way, the available money will be finite.

There are almost certainly other items I could touch on and you'll probably hear of those and others in today's sessions. This though, for now, seems sufficient. Let me close by restating a point made earlier: FAA has made clear progress in acquisition reform. But the majority, the very substantial majority, of areas in need of corrective action are areas where the procurement and personnel rules are not really a factor.

We also are all in this together. We're committed to working constructively and proactively with Administrator Garvey, the aviation community, and you -- all with a view of making acquisition reform a success.

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