

**Before the Committee on Transportation and Infrastructure
Subcommittee on Aviation
United States House of Representatives**

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The Conversion of Flight Service Stations From FAA to Contract Operations

**Statement of
The Honorable Calvin L. Scovel III
Inspector General
U.S. Department of Transportation**



Chairman Costello, Ranking Member Petri, and Members of the Subcommittee:

We appreciate the opportunity to testify today regarding the conversion of the Federal Aviation Administration's (FAA) flight service stations to contract operations. Specifically, we would like to discuss the following three issues regarding the transition of flight services from FAA to contract operations:

1. The management controls established by FAA over the initial transition;
2. Problems that the contractor (Lockheed Martin) encountered during the consolidation phase of the transition, which ultimately led to service disruptions to users; and
3. Key issues that Lockheed Martin and FAA need to address going forward.

First, I would like to briefly discuss the background of this transition. Flight service stations provide general aviation pilots with aeronautical information such as pre- and in-flight weather briefings, flight planning assistance, and aeronautical notices (e.g., runway closures or temporary flight restrictions). In addition, while employees at flight service stations do not control air traffic, they can provide in-flight support to pilots who are lost or in need of assistance.

During the month of August, flight services received an average of between 85,000 and 90,500 calls per week. Flight services are provided at no charge to users and are intended to help promote safe flight operations. However, most of the services provided are optional for pilots' use.

Pilots may also obtain flight information using online services such as Direct User Access Terminal Service (known as DUATS), an automatic weather briefing and flight plan processing service that allows pilots to obtain weather data and file flight plans via personal computer.

On February 1, 2005, FAA awarded a 5-year fixed-price, incentive-fee contract (with 5 additional option years) to Lockheed Martin to operate the Agency's flight service stations in the continental United States, Puerto Rico, and Hawaii. On October 4, 2005, Lockheed Martin took over operations at the 58 flight service stations, and, on that date, approximately 1,900 specialists and additional support staff became employees of Lockheed Martin. The 2-year transition period ended last week. However, to protect those employees that were close to retirement, Congress passed legislation that allowed any flight service station employee who was within 2 years of retirement to remain employed with FAA, thereby retaining their Federal benefits and pension.

The subject of outsourcing Government operations is an important policy area for Congress and the Administration that has generated significant attention. However, it

is important to recognize that FAA's flight service stations needed to be modernized. Many stakeholders, including FAA and our office, recommended consolidating FAA's 58 flight service stations into fewer locations to reduce costs and improve operational efficiency, regardless of whether those services continued to be provided by FAA or a contractor.¹

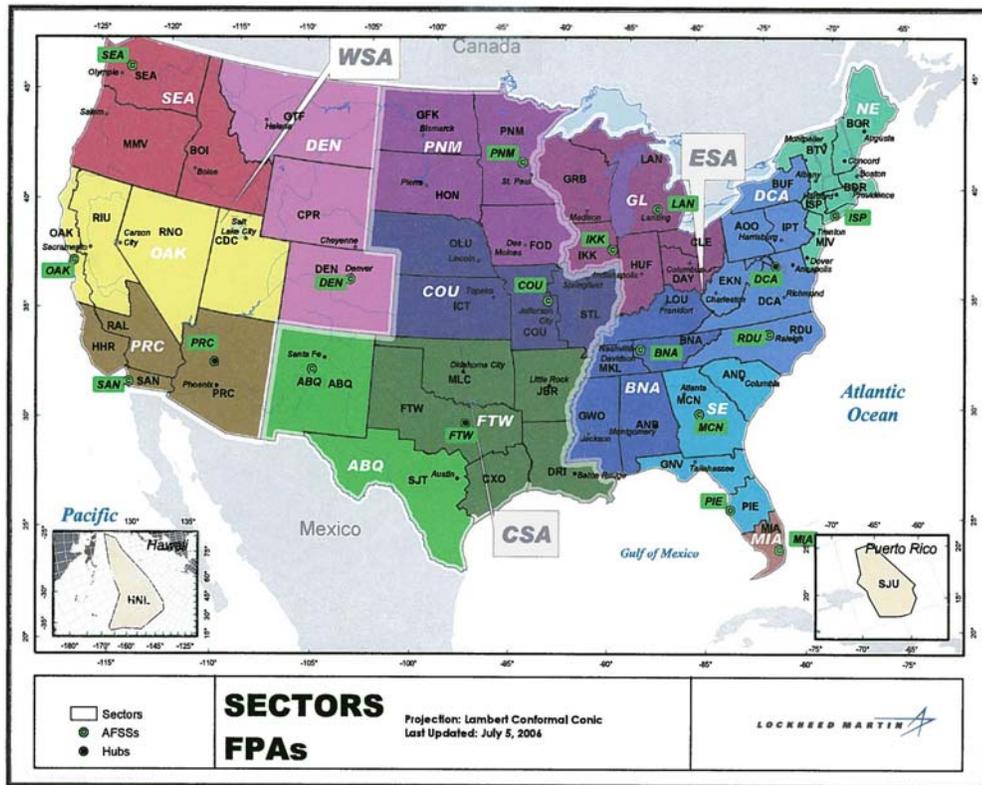
FAA anticipates that by contracting out flight service facilities, it will save \$1.7 billion over the 10-year life of the agreement. These savings are based on the difference between the Agency's projected costs of operating the flight service stations versus the cost of the Lockheed Martin contract. The savings are expected to be achieved through a series of changes to reorganize flight service stations operations and modernize facilities and equipment. The planned changes include the following:

- Consolidating the 58 FAA-operated flight service stations into 3 new hub facilities and 15 refurbished stand-alone facilities.
- Deploying FS-21, Lockheed Martin's new flight services operating system. The new system connects the facilities through a single, nationwide operating system that will allow flight service specialists to file flight plans, access aeronautical and weather information, and provide other information to pilots for any airport in the country.
- Reducing flight service specialist staffing levels from approximately 1,900 specialists to about 1,000 specialists as a result of the technological and operational changes noted previously.

The consolidation is nearly complete at this point, and FS-21 is operational. Lockheed Martin has opened the 3 hub facilities, refurbished and reopened the 15 continuing sites, and transitioned 40 closing facilities into the 3 hubs. Two sites remain to be consolidated: the Islip flight service station in November (into the Washington hub) and the San Juan flight service station in December (into the Miami facility). Lockheed Martin has also completed realignment of the flight service areas from the original 58 areas into the 15 consolidated areas, as shown in figure 1 below.

¹ OIG Report Number AV-2002-064, "Automated Flight Service Stations: Significant Benefits Could Be Realized by Consolidating AFSS Sites in Conjunction With Deployment of OASIS," December 7, 2001. OIG reports and testimonies are available on our website: www.oig.dot.gov.

Figure 1. Fifteen Realigned Flight Service Areas



The transition, however, was not an easy one. In hindsight, of course, it is always easier to see what should have been done differently. Nevertheless, even at the time, it was clearly an ambitious undertaking to deploy a new operating system and “debug” it during live operations while consolidating 58 locations down to 18. At the same time, an entire workforce had to be acclimated to a new system (most at new locations)—all within a 6-month period. During the transition, there was a significant number of problems with providing services to users, including long wait times, dropped phone calls, lost flight plans, and poor briefings. We found that many of those problems have since been resolved.

The focus now needs to be on ensuring that quality services are provided to users efficiently and cost effectively. Key issues for Lockheed Martin and FAA going forward include the following:

- Meeting acceptable levels of performance over the next several months (the contractor is currently not meeting 13 of the 21 performance measures).
- Achieving anticipated savings (this is particularly important since the bulk of the savings are forecast in the out-years of the contract).

- Maintaining adequate staffing levels and sufficient training of flight service specialists to meet users' needs (Lockheed Martin expected to have 1,000 specialists on board at the end of the transition but had only 842 specialists as of September 1, 2007).

An important point, Mr. Chairman, is that as a result of the outsourcing, FAA's responsibility over flight service stations has changed from a provider of services to an oversight role of contracted operations. Although the Agency has outsourced the day-to-day operations of its flight services, it is still ultimately responsible for the services that these facilities provide to general aviation users of the National Airspace System. Therefore, FAA needs effective controls in place over its contractor to ensure that the quality of services is maintained and that the estimated savings are achieved.

In May, we issued an interim report on this outsourcing effort.² Our testimony today is based on that audit and our ongoing work to monitor the progress and problems of this transition. I would now like to discuss the three issues that we see as key to the outsourcing effort.

FAA Established Effective Management Controls Over the Initial Transition to Contract Operations by Implementing a Well-Structured Contract and Internal Controls

We found that FAA established a series of effective management controls over the initial transition from FAA to contract operations. For example, FAA used a contract mechanism (fixed-price plus incentive-fee) that allows for careful monitoring of the contractor's performance and a series of internal controls for enforcing it. Our May 2007 report examined those controls. Overall, we found that FAA had implemented effective internal controls to monitor the operational and financial aspects of contracted flight service operations. At the onset of the contract, FAA:

- realigned its existing Headquarters Flight Services Office to oversee the transitional, operational, and financial aspects of the flight services contract. This office includes a quality assurance branch that measures Lockheed Martin's performance against contractual performance measures and an operations branch that oversees the contractual operations of flight service stations.
- maintained an operational evaluation group under the Air Traffic Organization's Vice President for Safety that conducts reviews of flight service stations to ensure that FAA regulations and procedures are followed by contractor personnel. The group has also adjusted its monitoring procedures to reflect changes in flight services provided by Lockheed Martin.

² OIG Report Number AV-2007-048, "Controls Over the Federal Aviation Administration's Conversion of Flight Service Stations to Contract Operations," May 18, 2007.

- convened an Executive Board of Performance and Cost Review, which monitors the cost and operation of the outsourced flight service stations. The Board; which is made up of officials from FAA's Flight Services Program Office, managers from various FAA lines of business, and Lockheed Martin; serves as the primary managerial oversight board and reviews contractually mandated financial and operational reports for outsourced flight service activities.
- included 21 performance measures in the contract, which range from operational efficiency to customer service, against which Lockheed Martin is evaluated. Lockheed Martin can earn up to \$10 million annually in bonuses for meeting an acceptable performance level (APL) associated with each measure but can also be financially penalized for not meeting an APL. The 21 performance measures and the associated APLs are included in the exhibit to this statement.

In our opinion, these controls are an important mechanism for future management of the contract. Each control provides FAA with the tools needed to administer the contract, evaluate contractor performance, and determine if cost savings have been and will be achieved.

We also found that FAA had used these controls to monitor and assess contractor performance and, in some cases, has financially penalized the contractor. For example, during fiscal year (FY) 2006, Lockheed Martin earned \$6 million for meeting the APLs for 15 of the performance measures. However, the contractor did not meet five of the performance measures, either during a quarter or for the year. As a result, the contractor incurred \$8.9 million in financial penalties and submitted corrective action plans to resolve other performance measures that were cited as deficient.

In addition, FAA's Air Traffic Organization Office of Finance completed an internal review of the flight services transition in May 2006 and recommended, among other things, that FAA conduct an assessment of the cost baseline used, update projected cost savings, and ensure that the quality assurance branch has sufficient resources to adequately validate contract performance levels. FAA is addressing those recommendations.

Lockheed Martin Experienced Delays in Developing FS-21, Which Led to an Aggressive Consolidation Schedule and Ultimately Service Disruptions for Users

While the Agency implemented effective management controls over the initial transition, Lockheed Martin experienced significant problems during the consolidation phase of the outsourcing effort. Lockheed Martin experienced a 10-month delay in developing FS-21, which led to a very aggressive consolidation schedule during the busy summer air travel season.

In addition, because of the delay in development, Lockheed Martin began installing and using the system in live operations with identified deficiencies still uncorrected. As a result, there was a significant number of problems in providing services to users, including long wait times, dropped phone calls, lost flight plans, and poor briefings. The apex of these problems occurred in May.

Many of those problems have now been resolved. For any future, similar undertakings, however, there are several lessons learned that can be gleaned from this experience. These include (1) ensuring that new systems are fully developed before becoming operational so that they provide the services contracted for with no “debugging” during live operations; (2) ensuring that sufficient attention is paid to human factor issues, such as acclimating a workforce to new systems and new circumstances; and (3) taking swift and decisive interventions when outcomes (even intermediate ones) fail to meet requirements.

Lockheed Martin Experienced Delays in Developing FS-21 and Significant Problems During Deployment

One of the key factors for a successful conversion was having FS-21 operational before the start of the consolidation. FS-21 was critical to consolidating locations because it allows specialists to access weather information, Notices to Airmen (NOTAM), and other locality-specific information for any location in the Nation. This capability was limited with the prior software and was primarily site-specific. Without the ability to access nationwide information from the hubs, Lockheed Martin would not be able to relocate specialists to the new facilities or re-align geographic responsibilities.

After a 10-month delay in development, Lockheed Martin began using FS-21 in February 2007 at its Washington (Ashburn, Virginia) hub facility. Since then, it has been installed at the other hub facilities and at the 15 continuing sites. However, while FAA tested the system and determined that it met the requirements of the Agency’s flight service order, the system went operational—even though Lockheed Martin had not fully completed development and testing of the system.

Since becoming operational, the system has had both hardware and software issues, some of which are still being resolved. These issues include flight plans being lost, temporary flight restrictions appearing that did not exist, pilots being unable to file or brief for heliports, and flight plans appearing as still open even after they were closed.

These problems were compounded by the fact that a large portion of the consolidation occurred during the spring and summer, when general aviation activity is at its highest and when service disruptions can have a significant impact. Lockheed Martin has been regularly performing software drops to fix the problems, with the most recent

one occurring on September 10, 2007, and this has helped to resolve most of the problems.

The system has also suffered several outages which, in some cases, significantly affected operations. For example, a complete FS-21 system outage occurred on May 8, 2007, and lasted for 1 hour and 20 minutes. While Lockheed Martin quickly resolved the problem, the outage resulted in specialists losing every call in progress, every call on hold, and flight plans that were not already issued to FAA. It also caused a backlog of calls for the entire day.

While most of the initial problems with FS-21 have been resolved, the system still does not provide all of the services required for flight services. To meet these requirements, Lockheed Martin is utilizing a series of workarounds until FS-21 can provide the services. For example, Lockheed Martin recently implemented its NOTAM functions for FS-21 but is using FAA's legacy NOTAM system as a back-up. In addition to the hardware and software issues, specialists were being trained on FS-21 during the consolidation. This resulted in fewer specialists being available to field calls. Many of the specialists that *were* available were using FS-21, with which they were still relatively unfamiliar.

For any future, similar undertakings, a key issue will be to ensure that problems with a new system are addressed during testing and before deployment to a live, operational environment. In addition, sufficient attention needs to be paid to human factors issues, such as training the workforce and acclimating it to new systems and new circumstances.

Delays in FS-21 Development Led to a Very Aggressive Consolidation Schedule

With delays occurring in the development of FS-21, FAA and Lockheed Martin embarked on an aggressive consolidation schedule. Starting last February, the plan was to close and consolidate the existing 58 sites into the 3 hub and 16³ refurbished locations; finish development, testing, and installation of FS-21 at the hubs and continuing sites; and install digital communication lines to support the FS-21 system. All of this was to occur within a 6-month timeframe, which was originally scheduled to be completed by July 2007.

However, due to the large scope of the consolidation and issues associated with FS-21, the consolidation schedule was delayed several times, with some facilities delayed 4 months or longer from their original schedule. Though there were delays, we note that the facilities consolidation was still completed before the end of the 2-year transition period, which ended last week.

³ Lockheed Martin's original plan was to have 16 refurbished facilities, but it revised that number down to 15 facilities after deciding to consolidate the San Juan facility into the Miami facility.

The contractor's decision to delay the consolidation of some facilities was based in part on reducing risks associated with transition. According to Lockheed Martin officials, the delay gave the contractor time to evaluate the status of the consolidation, make adjustments, and resolve problems that arose during the consolidation. Additionally, by keeping the existing facilities open longer, Lockheed Martin kept the staffing levels up, and seasonal workers were brought in for the busy periods. For example, two facilities located in southern Florida, scheduled to close at the same time, stayed open longer because Lockheed Martin did not want to have two high-volume facilities closing at the same time.

As a Result of Problems During the Consolidation, Services Were Disrupted When Demand for Flight Services Was at the Highest Level

Since the facility consolidations began in February, there have been numerous complaints from users regarding operational performance issues of flight service stations. According to FAA, user complaints received by Lockheed Martin reached a high of 326 during the week ending May 13, 2007. However, the number of complaints has since dropped. During the 7-day period ending September 12, 2007, FAA received 152 complaints on its customer service line. The three most common complaints were lost flight plans, communication issues, and quality of services.

Lost Flight Plans: Pilots who fly under Instrument Flight Rules are required to file a flight plan before taking off. In addition, many Visual Flight Rule pilots also file flight plans in case of an emergency or an accident. We found that since FS-21 was implemented, numerous flight plans have been lost, requiring pilots to file the plans again while they are either on the ground or in mid-air. According to FAA and Lockheed Martin officials, there were two reasons for flight plans being lost during the early stages of the transition.

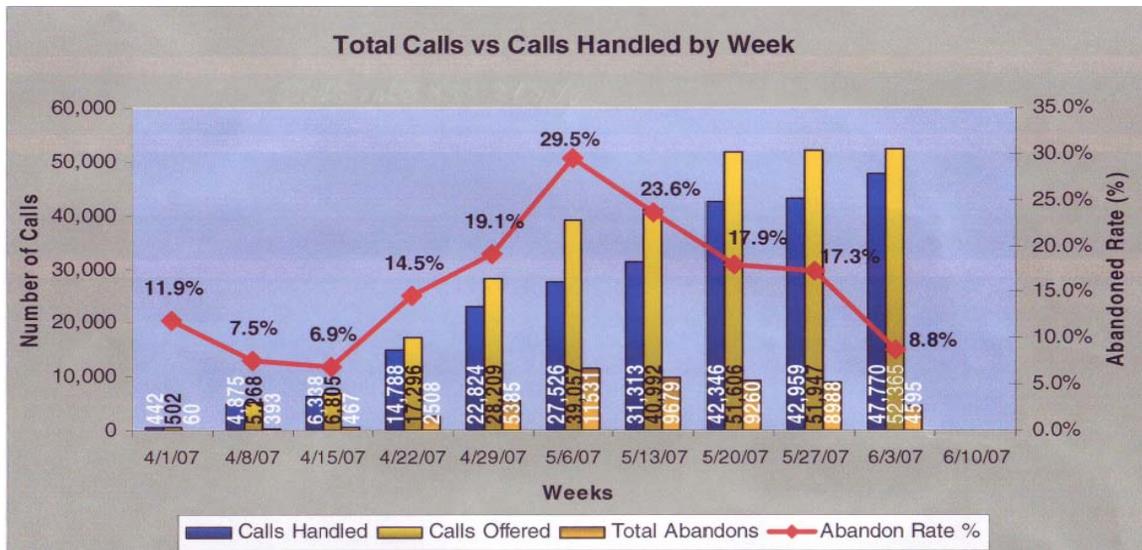
- First, when flight plans were sent to the HOST computer at en route centers, the plans included an identifier that was used during FS-21 testing. As a result, the en route HOST computer would not process the plans because it did not recognize the identifier. To Lockheed Martin's credit, this problem was identified on April 26 and resolved 1 week later.
- Second, although closing flight service facilities physically move to one of the hubs, communications must still pass through the old facilities to reach the appropriate specialist. As a result, the communication addresses of these closing facilities still "virtually" exist. However, HOST computers at FAA en route centers were not accepting information from facilities listed as closed.

In addition, some of the HOST computers were not set up to accept flight plans from facilities that were not within their geographic area. When Lockheed Martin was sending flight plans to these en route centers from adjacent facilities, the HOST

computer was not accepting flight plans because it did not recognize the address of the flight service station that was sending the flight plan. Lockheed Martin and FAA addressed these issues with a series of software drops at the Agency's en route centers.

Communication Issues: Users are also having communication difficulties with contract flight service stations. Pilot complaints include long wait times to speak with a specialist, busy signals, and dropped calls. This has resulted in users abandoning their calls to flight service stations. For example, during the week of May 6, nearly 30 percent of all calls handled by the FS-21 system were abandoned by users (see figure 2).

Figure 2. Calls to Flight Service Stations



Source: Lockheed Martin

Lockheed Martin has resolved some of these issues. For example, Lockheed Martin instituted a call off-loading system last year that would direct a pilot's call to a facility in that flight area. Call off-loading allows pilot calls to be transferred to adjoining flight service stations when the original servicing facility becomes too busy or does not have adequate staffing on duty to handle a user's request. This reduces the wait time for services, such as pilot briefings, and equalizes work among the flight service stations.

Call off-loading was originally utilized by FAA in southern California and the eastern United States in cases where a facility received an inordinate number of requests at the same time. Lockheed Martin initially expanded call off-loading into a nationwide program. However, in some cases, we found multiple facilities that had to adjust their operations to cover off-loaded calls from short-staffed facilities, which created a cascading effect across the country.

For example, one flight service facility supervisor noted that calls at the San Diego, California, flight service station were off-loaded last summer to the Albuquerque, New Mexico, flight service station due to staff shortages. However, this overloaded the Albuquerque facility and required Albuquerque's calls to be sent to the Fort Worth, Texas, flight service station and Fort Worth's calls to be transferred to facilities in the East.

To address this issue, FS-21 now identifies the area of the caller and puts calls on hold for 2 minutes at the local facility before transferring the call to a facility in an adjacent flight plan area. If a specialist is not available there, the call is held for another 2 minutes and then transferred to the first available specialist, which could be anywhere in the country. This increases the likelihood that a pilot's call will be answered by a specialist in or near the pilot's local area and helps adjust workload among the facilities.

Quality of Service: Users have complained about flight specialists' inadequate knowledge of basic flight specialist duties, FS-21, and local information. As a result of these problems, user satisfaction regarding flight services has declined. The Aircraft Owners and Pilots Association conducted several surveys of pilots regarding services received from contract flight service stations. According to its most recent survey (July 10, 2007), 24 percent of those surveyed noted that the quality of flight services has improved, but 41 percent had seen no change. Thirty-six percent said the quality had actually worsened over the previous 30 days.⁴

The issue of local knowledge has proven particularly difficult to resolve and will need to be carefully scrutinized during the next phases of operation. This is a challenge because FS-21 was specifically designed as a national system under which specialists can brief pilots for any airport in the country. However, this also means that specialists do not necessarily have intricate knowledge of the area they are covering, which some pilots expect them to know. To have that level of knowledge, specialists must "certify" or become an expert on a specific flight area (i.e., the area's terrain, airports, navigational aids, flight restrictions, and weather, etc.).

Lockheed Martin is offering a bonus to all specialists who certify in at least two service areas. The intent of this incentive is to have more specialists certified in more areas, thus expanding local knowledge using the existing workforce. Whether this will be a viable solution, however, is uncertain. The new 15 areas are much larger than the previous 58 and will require greater effort on the part of specialists to become certified. It will take time to determine if the incentives offered are a sufficient enticement for specialists to certify on more than one area.

⁴ We were unable to determine how this satisfaction rating compared to when FAA operated the flight service stations because FAA did not collect metrics on customer satisfaction.

As we stated previously, while FAA is no longer responsible for the day-to-day operations of flight service stations, it is still ultimately responsible for the services these facilities provide users of the National Airspace System. As such, FAA needs effective controls in place to ensure that the quality of services is maintained and that the estimated savings are achieved. In any future, similar undertakings, a key issue will be to ensure that swift and decisive interventions are taken when outcomes—in this instance, services—fail to meet requirements, even intermediately.

In response to our May 2007 recommendations, FAA recently made additional adjustments to its controls in terms of oversight of the services provided by Lockheed Martin. These included the following:

- Implementing a customer service system that is independent of the contractor. We recommended that FAA develop a customer service mechanism independent of Lockheed Martin for users to address concerns regarding contracted flight services. Those actions were necessary so that FAA could independently determine if user needs were being adequately met under contract operations.

FAA subsequently established a website link (independent of the contractor) for monitoring customer service. The system allows users to either call or e-mail FAA with their comments on the services provided by the contractor. Customer complaints are then sent to Lockheed Martin, which has 15 days to address the complaint and notify the Agency of the actions taken.

- Instituting a staffing monitoring system over flight service stations. We recommended that FAA develop and implement management controls for monitoring contractor staffing. While FAA initially disagreed with our recommendation, it has since concurred and is developing and implementing management controls, including metrics to determine if specialist staffing is sufficient.

Clearly, these are steps in the right direction; the key now will be ensuring that these tools are effectively used and that resulting corrective action is taken as needed.

Key Issues Lockheed Martin and FAA Need To Address Going Forward

While it appears that many of the transitional problems have been resolved, there are at least three key watch items going forward. These are (1) achieving acceptable levels of performance during the next several months before the next busy period for general aviation, (2) achieving the anticipated savings, and (3) maintaining adequate staffing levels and training of flight service specialists to meet users' needs.

Achieving Acceptable Levels of Performance

A key issue going forward will be ensuring that Lockheed Martin is meeting APLs for the 21 performance measures outlined in the contract. The performance measures evaluate how well the contractor is performing on a series of metrics ranging from customer service to operational efficiency. Some performance measures are evaluated annually, some quarterly, and some are weighted more heavily than others. The performance measures are critical because they measure how well the contractor is performing in terms of the quality and safety of services provided.

During FY 2006, Lockheed Martin earned \$6 million in bonuses for meeting contractual performance measures; however, it did not achieve acceptable performance for five of the measures, resulting in \$8.9 million in financial penalties. In addition, through the third quarter of FY 2007, Lockheed Martin has not met the APLs for 13 of the 21 performance measures either for a quarter or for the year (see exhibit). Of particular concern are the increasing number of operational errors and deviations. The number of operational errors has doubled, from 3 in FY 2006 to 6 through August of FY 2007, and operational deviations have increased fourfold, from 3 in FY 2006 to 14 through August of FY 2007.

The errors were the result of specialists either not briefing pilots on airport closures or providing incorrect information. Most of the deviations were caused by specialists not briefing pilots on the Washington Air Defense Identification Zone and temporary Presidential flight restricted zones.

While improvements are clearly needed in the contractor's current performance, it is important to recognize that most of the problems occurred in the second and third quarters of FY 2007, while the transition was ongoing. With the transition ending, we would expect performance to improve.

However, this is a key watch item. If the contractor's performance does not improve over the next several months, it could indicate fundamental problems with how Lockheed Martin is operating flight services. FAA must closely monitor the contractor's performance in terms of the APLs. FAA and Lockheed Martin also intend to revisit the performance measures to ensure that they are realistic and provide the best metrics for measuring performance.

Achieving Anticipated Savings

Another watch item is ensuring that the anticipated cost savings from the outsourcing are realized. FAA's anticipated savings are based on the difference between its estimated costs of operating the flight service stations versus the cost of outsourcing the services. These savings are expected to be achieved through a series of changes, developed by Lockheed Martin, which will reorganize flight service stations operations and modernize facilities and equipment.

FAA originally estimated that it would save \$2.2 billion from outsourcing its flight service activities over the 10-year life of the contract. However, FAA has also reported that savings over the 10-year life of the contract would be \$1.7 billion. According to the Director of the Flight Services Program Office, the difference between the two estimates is that FAA's original cost savings estimate included approximately \$500 million in cost avoidances. Those cost avoidances were associated with not hiring additional flight specialists during the A-76 competition in 2003 in anticipation of consolidating facilities, regardless of whether services would be operated by FAA or a contractor.

We came to the same conclusion in our 2001 report on flight service stations. In that report, we recommended that FAA consolidate its 61 flight service stations (the number at the time of our review) into 25 locations while continuing to operate them. We also estimated that FAA would likewise save approximately \$500 million through attrition and reductions in overhead and acquisition costs as a result of consolidation. In its response to our recommendation, FAA went one step further by proposing the A-76 study.

We believe that the \$1.7 billion cost savings estimate is a more accurate representation of the actual savings of the contract. The decision not to replace departing specialists was made before the contract with Lockheed Martin, and the associated savings would have been achieved even if FAA continued to operate the flight service stations instead of outsourcing the services. Accordingly, we believe that FAA needs to clarify its savings estimates.

FAA must ensure that savings estimates are met each year because most of the anticipated savings are expected to be achieved in the later years of the contract. One important tool that assists FAA in monitoring the actual savings to the estimates is a variance report. This tool allows FAA to identify cost overruns, determine the reasons for the overruns, and allow for adjustments to ensure that savings are realized.

According to the Agency's first-year variance report, FAA spent approximately \$75 million less than it anticipated spending during the first year of the outsourcing. Based on the cost savings estimate, FAA anticipated spending more on flight services during the transition phase of the outsourcing (the first 2 years of the contract) versus when it operated the facilities. However, the report noted that due to delays in implementing FS-21, some communications, testing, and evaluation costs were pushed out until FY 2007. As a result, potential second-year savings could be less than anticipated. FAA is re-forecasting the planned savings based on its performance to date and updated assumptions.

In addition, FAA may face a further reduction in savings over the life of the contract due to two issues. First, Lockheed Martin is requesting an equitable adjustment to the contract. Most of the adjustment, \$102 million, is based on the contractor's claim that

it was not provided with the correct labor rates when it submitted its bid. Lockheed Martin is claiming that the actual wage rates for flight service specialists are significantly higher than what FAA instructed bidders to assume and that FAA knew, or should have known, that the rates were higher than what the company proposed. If the adjustments are approved, it will reduce the potential cost savings to the Agency. This issue is still being negotiated between the two parties.

Second, Lockheed Martin requested last year that the Department of Labor (DOL) reconsider the wage rates for flight service specialists. It stated that the current classification neither described all of the work that specialists perform nor recognized the differences in skill levels among specialists. On September 29, 2006, DOL issued a new three-tier rate scale for flight service specialists, which could result in significantly higher wages for newly hired flight specialists.

FAA subsequently appealed this decision, but DOL denied the appeal on May 21, 2007. The Agency expects Lockheed Martin to submit another Request for Equitable Adjustment regarding this issue.

Maintaining Adequate Staffing and Training for the Flight Services Workforce

Finally, FAA must ensure that the contractor adequately staffs flight service stations and that specialists are properly trained to ensure that users' needs are met. Lockheed Martin has a strategy for staffing its facilities. It involves utilizing a management system, known as e-Workforce, which tracks call volume and traffic trends for flight service stations. The contractor intends to use this information to determine if specialist staffing levels are sufficient and ensure that service areas are appropriately staffed to meet demand.

However, Lockheed Martin has only recently starting collecting data and does not expect to start testing the system until next spring. In the meantime, we believe that that FAA needs to monitor specialist staffing levels to ensure that users receive the services they expect from flight service stations, including local knowledge.

In May, we recommended that FAA develop and implement management controls for monitoring contractor staffing. While FAA initially disagreed with our recommendation, it has since concurred and is developing and implementing management controls; these include metrics to determine if specialist staffing is sufficient.

On September 7, 2007, the FAA contracting officer sent Lockheed Martin a letter expressing concern with the operational staffing and organizational alignment for operations at flight service stations. According to the letter,

In [the contract], Lockheed Martin states that 1,400 operational personnel are required at the end of the Transition. As of September 1, 2007, however,

operational staffing is below 1,000, with 842 specialists. While Lockheed Martin has taken some steps to address staffing, including hiring [part time] employees and extensive use of overtime, the FAA is concerned with operational staffing levels to meet current and forecasted demand for services.

On September 17, 2007, Lockheed Martin and officials from FAA's Flight Services Program Office met to discuss staffing. Based on those discussions, FAA requested that Lockheed Martin provide "a corrective action plan addressing the staffing problem, milestones for proposed solutions, follow-up actions that will be taken to validate that the corrective actions were successful, and proposed management controls to ensure a thorough and effective staffing plan is executed."

FAA evaluators have also expressed concerns regarding the contractor's specialist training program. For example, an evaluation of the Miami flight service station noted that, in some cases, recently certified specialists did not provide weather advisory information or local NOTAM information, incorrectly identified the three-letter location identifiers to pilots, and did not understand certain flight plan notification messages. In light of these concerns, Lockheed Martin has made some changes to its training program. It recently began conducting 1-day, "refresher" training classes for all specialists, which include reviewing flight service processes and procedures. However, the contractor has made only minor adjustments to other areas of its training program. For example, Lockheed Martin originally provided 5 days of hands-on FS-21 training, with an additional 1- to 1 and a half-day of on-the-job training with an instructor.

While the contractor subsequently added another half-day refresher class, specialists basically learn how to use FS-21 as they work live traffic. FAA needs to continue carefully monitoring Lockheed Martin's training program to ensure that specialists are properly trained on flight procedures and FS-21.

In closing, while FAA and Lockheed Martin are finishing the consolidation and working to resolve outstanding problems, it remains unclear if further adjustments need to be made. Traffic levels usually decrease after the summer air travel season, providing FAA and the contractor with the time to make necessary adjustments. Also, FAA officials are looking into ways to use the current contractual provisions to improve services. If similar service problems occur next spring and summer, however, FAA may have to institute changes in the way that contract flight service stations are operated. This could include substantial modifications to the contract and result in significant reductions to the anticipated savings.

That concludes my statement, Mr. Chairman. I would be pleased to answer any questions that you or other Members of the subcommittee might have.

**EXHIBIT. LOCKHEED MARTIN'S PERFORMANCE ON THE
CONTRACTUAL PERFORMANCE MEASURES FOR FY 2007
(QUARTERS 1-3)**

ID	Performance Measures	Acceptable Performance Level	Did Lockheed Martin Pass or Fail?	Quarter Failed (if Applicable)	Quarterly or Annual Evaluation
1	AFSS Customer Satisfaction Rating	84%	Neither* (See Note)	n/a	Annually
2	Conformity Index Score	85%	Fail	2 nd	Annually
2a	Services Conformity Index	80%	Fail	3 rd	Quarterly
3	Employee Evaluation Index Score	90%	Pass	n/a	Annually
4	Number of Operational Errors	Not to exceed 2 per year	Fail	2 nd	Annually
5	Number of Operational Deviations	Not to exceed 6 per year	Fail	2 nd	Annually
6	Number of Validated Customer Complaints	Less than or equal to 1%	Pass	n/a	Quarterly
7	Percentage of Calls per Day Answered Within 20 Seconds	80%	Fail	3 rd	Quarterly
8	Percentage of Dropped Calls per Hour Over 20 Seconds Wait	Less than or equal to 7%	Fail	3 rd	Quarterly
9	Percentage of Radio Contacts Acknowledged Within 5 Seconds	80%	Pass	n/a	Quarterly
10	Percentage of Radio Contacts Service Initiated Within 15 Seconds	85%	Pass	n/a	Quarterly
11	Percentage of Error-Free Flight Plans Filed	95%	Fail	1 st , 2 nd , 3 rd	Quarterly
12	Percentage of Domestic Flight Plans Filed Within 3 Minutes	95%	Pass	n/a	Quarterly
13	Percentage of International Flight Plans Filed Within 5 Minutes	90%	Fail	1 st	Quarterly
14	Percentage of Pilot Reports Processed Within 120 Seconds	90%	Fail	3 rd	Quarterly
15	Percentage of Error-Free Pilot Reports Transmitted	90%	Fail	3 rd	Quarterly
16	Emergency Services Evaluation Index Score	95%	Fail	1 st	Annually
17	Percentage of Overdue Aircraft Located Prior to Issuance of QALQ	94%	Pass	n/a	Quarterly
18	Percentage of Domestic Notice to Airmen (NOTAMS) Accepted	90%	Pass	n/a	Quarterly
19	Availability of Services	Per NAS-SR-100	Fail	3 rd	Annually
20	Percentage of Calls per Day Blocked	Less than or equal to 5%	Fail	3 rd	Quarterly

* Note: Although customer satisfaction is one of the performance measures included in the contract, the survey that is used to develop the document is still in progress. Therefore, Lockheed Martin is not yet being evaluated on this performance measure.

The following pages contain textual versions of the graphs and charts found in this document. These pages were not in the original document but have been added here to accommodate assistive technology.

**Testimony Before the Committee on Transportation and Infrastructure,
Subcommittee on Aviation, United States House of Representatives**

The Conversion of Flight Service Stations From FAA to Contract Operations

508 Compliant Presentation

Figure 1. Fifteen Realigned Flight Service Areas

The 15 realigned flight service areas mapped by Lockheed Martin are as follows.

1. Seattle (SEA)
2. Oakland (OAK)
3. Prescott (PRC)
4. Denver (DEN)
5. Albuquerque (ABQ)
6. Princeton (PMN)
7. Columbia (COU)
8. Fort Worth (FTW)
9. Great Lakes (GL)
10. Nashville (BNA)
11. Northeast (NE)
12. Washington, DC (DCA)
13. Southeast (SE)
14. Miami (MIA)
15. Honolulu (HNL)
16. San Juan (SJU)-Note: San Juan will be consolidated into Miami, leaving a total of 15.

Source: Lockheed Martin

Figure 2. Calls to Flight Service Stations: Total Calls Versus Calls Handled per Week

Users are also having communication difficulties with contract flight service stations. Pilot complaints include long wait times to speak with a specialist, busy signals, and dropped calls. This has resulted in users abandoning their calls to flight service stations. For example, during the week of May 6, nearly 30 percent of all calls handled by the FS-21 system were abandoned by users (see figure 2 data below).

- During the week of April 1, 2007, there were 442 calls handled, 502 calls offered, and 60 calls abandoned. Rate of abandoned calls was 11.9 percent.
- During the week of April 8, 2007, there were 4,875 calls handled, 5,268 calls offered, and 393 calls abandoned. Rate of abandoned calls was 7.5 percent.
- During the week of April 15, 2007, there were 6,338 calls handled, 6,805 calls offered, and 467 calls abandoned. Rate of abandoned calls was 6.9 percent.
- During the week of April 22, 2007, there were 14,788 calls handled, 17,296 calls offered, and 2,508 calls abandoned. Rate of abandoned calls was 14.5 percent.
- During the week of April 29, 2007, there were 22,824 calls handled, 28,209 calls offered, and 5,385 calls abandoned. Rate of abandoned calls was 19.1 percent.
- During the week of May 6, 2007, there were 27,526 calls handled, 39,057 calls offered, and 11,531 calls abandoned. Rate of abandoned calls was 29.5 percent.
- During the week of May 13, 2007, there were 31,313 calls handled, 40,992 calls offered, and 9,679 calls abandoned. Rate of abandoned calls was 23.6 percent.
- During the week of May 20, 2007, there were 42,346 calls handled, 51,606 calls offered, and 9,260 calls abandoned. Rate of abandoned calls was 17.9 percent.
- During the week of May 27, 2007, there were 42,959 calls handled, 51,947 calls offered, and 8,988 calls abandoned. Rate of abandoned calls was 17.3 percent.
- During the week of June 3, 2007, there were 47,770 calls handled, 52,365 calls offered, and 4,595 calls abandoned. Rate of abandoned calls was 8.8 percent.

Source: Lockheed Martin

Exhibit. Lockheed Martin's Performance on the Contractual Performance Measures

Note on Performance Measure 1 (AFSS Customer Satisfaction Rating): Although customer satisfaction is one of the performance measures included in the contract, the survey that is used to develop the document is still in progress. Therefore, Lockheed Martin is not yet being evaluated on this performance measure.

Performance Measure 1. AFSS Customer Satisfaction Rating	Acceptable Performance Level: 84%	Did Lockheed Martin Pass or Fail? Neither (refer to note)	Quarter Failed: not applicable	Performance measure 1 is annually evaluated
Performance Measure 2. Conformity Index Score	Acceptable Performance Level: 85%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 2 nd	Performance measure 2 is annually evaluated
Performance Measure 2a. Services Conformity Index	Acceptable Performance Level: 80%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 2a is evaluated quarterly
Performance Measure 3. Employee Evaluation Index Score	Acceptable Performance Level: 90%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 3 is annually evaluated
Performance Measure 4. Number of Operational Errors	Acceptable Performance Level: Not to exceed 2 per year	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 2 nd	Performance measure 4 is annually evaluated
Performance Measure 5. Number of Operational Deviations	Acceptable Performance Level: Not to exceed 6 per year	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 2 nd	Performance measure 5 is annually evaluated
Performance Measure 6. Number of Validated Customer Complaints	Acceptable Performance Level: Less than or equal to 1%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 6 is evaluated quarterly
Performance Measure 7. Percentage of Calls per Day Answered Within 20 Seconds	Acceptable Performance Level: 80%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 7 is evaluated quarterly
Performance Measure 8. Percentage of Dropped Calls per Hour Over 20 Seconds Wait	Acceptable Performance Level: Less than or equal to 7%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 8 is evaluated quarterly
Performance Measure 9. Percentage of Radio Contacts Acknowledged Within 5 Seconds	Acceptable Performance Level: 80%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 9 is evaluated quarterly

Performance Measure 10. Percentage of Radio Contacts Service Initiated Within 15 Seconds	Acceptable Performance Level: 85%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 10 is evaluated quarterly
Performance Measure 11. Percentage of Error-Free Flight Plans Filed	Acceptable Performance Level: 95%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 1 st , 2 nd , 3 rd	Performance measure 11 is evaluated quarterly
Performance Measure 12. Percentage of Domestic Flight Plans Filed Within 3 Minutes	Acceptable Performance Level: 95%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 12 is evaluated quarterly
Performance Measure 13. Percentage of International Flight Plans Filed Within 5 Minutes	Acceptable Performance Level: 90%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 1 st	Performance measure 13 is evaluated quarterly
Performance Measure 14. Percentage of Pilot Reports Processed Within 120 Seconds	Acceptable Performance Level: 90%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 14 is evaluated quarterly
Performance Measure 15. Percentage of Error-Free Pilot Reports Transmitted	Acceptable Performance Level: 90%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 15 is evaluated quarterly
Performance Measure 16. Emergency Services Evaluation Index Score	Acceptable Performance Level: 95%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 1 st	Performance measure 16 is annually evaluated
Performance Measure 17. Percentage of Overdue Aircraft Located Prior to Issuance of QALQ	Acceptable Performance Level: 94%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 17 is evaluated quarterly
Performance Measure 18. Percentage of Domestic Notice to Airmen (NOTAMS) Accepted	Acceptable Performance Level: 90%	Did Lockheed Martin Pass or Fail? Pass	Quarter Failed: not applicable	Performance measure 18 is evaluated quarterly
Performance Measure 19. Availability of Services	Acceptable Performance Level: Per NAS-SR-100	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 19 is annually evaluated
Performance Measure 20. Percentage of Calls per Day Blocked	Acceptable Performance Level: Less than or equal to 5%	Did Lockheed Martin Pass or Fail? Fail	Quarter Failed: 3 rd	Performance measure 20 is evaluated quarterly