



# FEDERAL AVIATION ADMINISTRATION

## Challenges for Transforming Into a High-Performing Organization

Highlights of [GAO-04-770T](#), a report to the Subcommittee on Aviation, Senate Committee on Commerce, Science, and Transportation

### Why GAO Did This Study

Over the last two decades, FAA has experienced difficulties meeting the demands of the aviation industry while also attempting to operate efficiently and effectively. Now, as air traffic returns to pre-9/11 levels, concerns have again arisen as to how prepared FAA may be to meet increasing demands for capacity, safety, and efficiency.

FAA's air traffic control (ATC) modernization efforts are designed to enhance the national airspace system through the acquisition of a vast network of radar, navigation, and communication systems. Nine years have passed since Congress provided FAA with personnel and acquisition reforms. However, projects continue to experience cost, schedule and performance problems. FAA's Air Traffic Organization (ATO) is its most current reform effort. Expectations are that the ATO will bring a performance management approach to ATC modernization.

This statement focuses on three main questions: (1) What are some of the major challenges and demands that confront FAA? (2) What is the status of FAA's implementation of reforms and/or procedural relief that Congress provided? and (3) What are some of the critical success factors that will enable FAA to become a high-performing organization?

### What GAO Recommends

GAO is making no recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-770T](http://www.gao.gov/cgi-bin/getrpt?GAO-04-770T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker at (202) 512-2834 or [HeckerJ@gao.gov](mailto:HeckerJ@gao.gov).

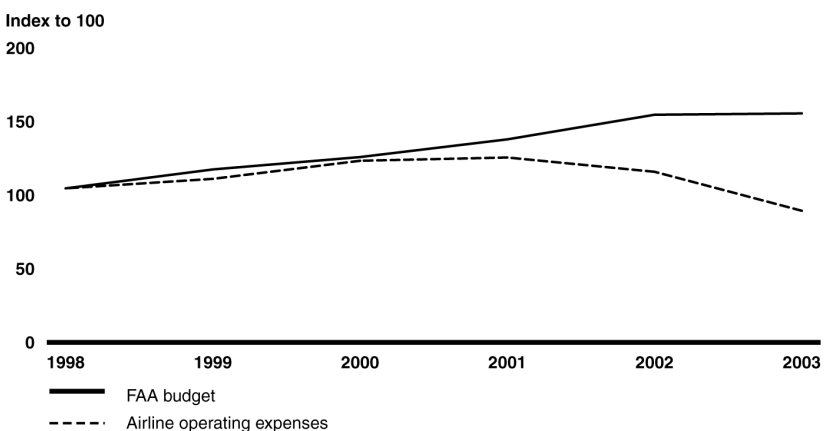
### What GAO Found

A forecasted increase in air traffic coupled with budgetary constraints will challenge FAA's ability to meet current and evolving operational needs. The commercial aviation industry is still recovering from financial losses exceeding \$20 billion over the past 3 years. Many airlines cut their operating expenses, but FAA's budget continued to rise (see figure). However, transportation tax receipts into the Airport and Airways Trust Fund, from which FAA draws the majority of its budget, have fallen by \$2.0 billion (nearly 20 percent) since 1999 (in constant 2002 dollars). Cost-cutting and cost-control will need to be watchwords for FAA from this point forward.

FAA has implemented many of the reforms authorized by Congress 9 years ago, but achieved mixed results. Despite personnel and acquisition reforms the agency contended were critical to modernizing the nation's air traffic control (ATC) system, systemic management issues continue to contribute to the cost overruns, schedule delays, and performance shortfalls. FAA's most current reform effort, the Air Traffic Organization (ATO) – a new performance-based organization mandated by AIR-21 that is operating the ATC system – is just now being put in place.

To meet its new challenges, FAA must fundamentally transform itself into a high-performing organization. The key characteristics and capabilities of high-performing organizations fall into four themes: (1) a clear, well articulated, and compelling mission; (2) strategic use of partnerships; (3) focus on the needs of clients and customers; and (4) strategic management of people. FAA has taken some promising steps through its new ATO to restructure itself like high-performing organizations, but still faces significant and longstanding systemic management challenges. Even modest organizational and operational changes at FAA can be difficult and time consuming.

Changes in Air Carrier Operating Expenses vs. FAA Budget (indexed to 100)



Source: GAO analysis of data from the U.S. Office of Management and Budget and the DOT Bureau of Transportation Statistics.