FAA
Air Traffic Organization

MOVING AMERICA SAFELY

2005 Annual Performance Report

FAA Mission

Our mission is to provide the SAFEST most EFFICIENT aerospace system in the world.

Cover photo: Controller Jennifer McCurry in the tower at Lubbock Preston Smith International Airport in Texas – one of the 15,000 air traffic controllers who safely move aircraft through the national airspace system every day.
Photo: Jody Smyers

Contents

"THE HURRICANES OF 2005 DELIVERED A CRUSHING BLOW TO THOUSANDS OF PEOPLE ACROSS THOUSANDS OF SQUARE MILES OF THIS GREAT LAND. BUT THROUGH ALL THE DESTRUCTION, AMERICA WAS ABLE TO COUNT ON THE MEN AND WOMEN OF THE FAA."

— Marion C. Blakey

Foreword by the Administrator, Federal Aviation Administration

Marion C. Blakey

To the Congress of the United States of America:

America's aviation system is in one of its safest periods in history, and we continue to improve each and every day. That's the essence of the second Annual Performance Report that I am proud to present to you.

The 35,000 members of our Air Traffic Organization deserve a lot of credit for our safe skies. The ATO's air traffic controllers, managers, engineers, programmers and administrative staff work tirelessly to serve our customers by ensuring that the national airspace system flows at maximum capacity with minimum delay.

We're looking ahead to tomorrow today, by laying the groundwork for the Next Generation Air Transportation System. It'll have all the latest technologies and operational improvements that only American ingenuity could develop. The NextGen system holds tremendous promise, but it won't come for free. That's why we're staying focused on the bottom line.

Like the aviation industry we serve, the FAA continues to face challenges in a post 9/11 world. There continues to be a disconnect between Airport and Airway Trust Fund revenues and FAA costs. A recent GAO report said our operating costs will "significantly outpace available funding" through 2010. As a result, we are under significant pressure from our customers to reduce costs and improve performance.

That is why we believe that matching costs with revenues is the right way to go. It'll give us a funding stream that is more rational, stable, and equitable. The taxes funding the Airport and Airway Trust Fund expire on Sept. 30, 2007, so now is the time to seize the opportunity to change our funding mechanism. It can't wait. Millions of Americans rely on us to get them where they're going.

I encourage you to read our report, and you'll see why there has never been a better or safer time to fly.

Marion Blakey climbs aboard an Agency jet.
Photo: Ian Bradshaw, courtesy of University of Mary Washington

Sincerely,

Marion C. Blakey

"We supported the rebuilding of air services in Afghanistan and Iraq and we responded to the disaster at home when hurricanes destroyed parts of the southern United States. In fact we were able to restore air traffic in New Orleans within 24 hours of Katrina, as aviation became the lifeline for the region."

— Russ Chew

A Banner Year - Message from the Chief Operating Officer

Russell G. Chew

Fiscal year 2005 was a banner year for the Air Traffic Organization, matched by an unprecedented safety record. For the fourth year in a row, there were no fatal flight-related accidents in the commercial aviation system – a system that handled more than 18 million flights in fiscal year 2005 alone. While the recent accident in Lexington is a stark reminder of the need to continuously improve, aviation remains the safest way to travel.

In 2005, we installed more than 2,300 new systems and equipment, hired 438 new controllers and saved the airline industry billions of dollars in fuel costs. All of this was done while trimming our management ranks and reducing overhead costs.

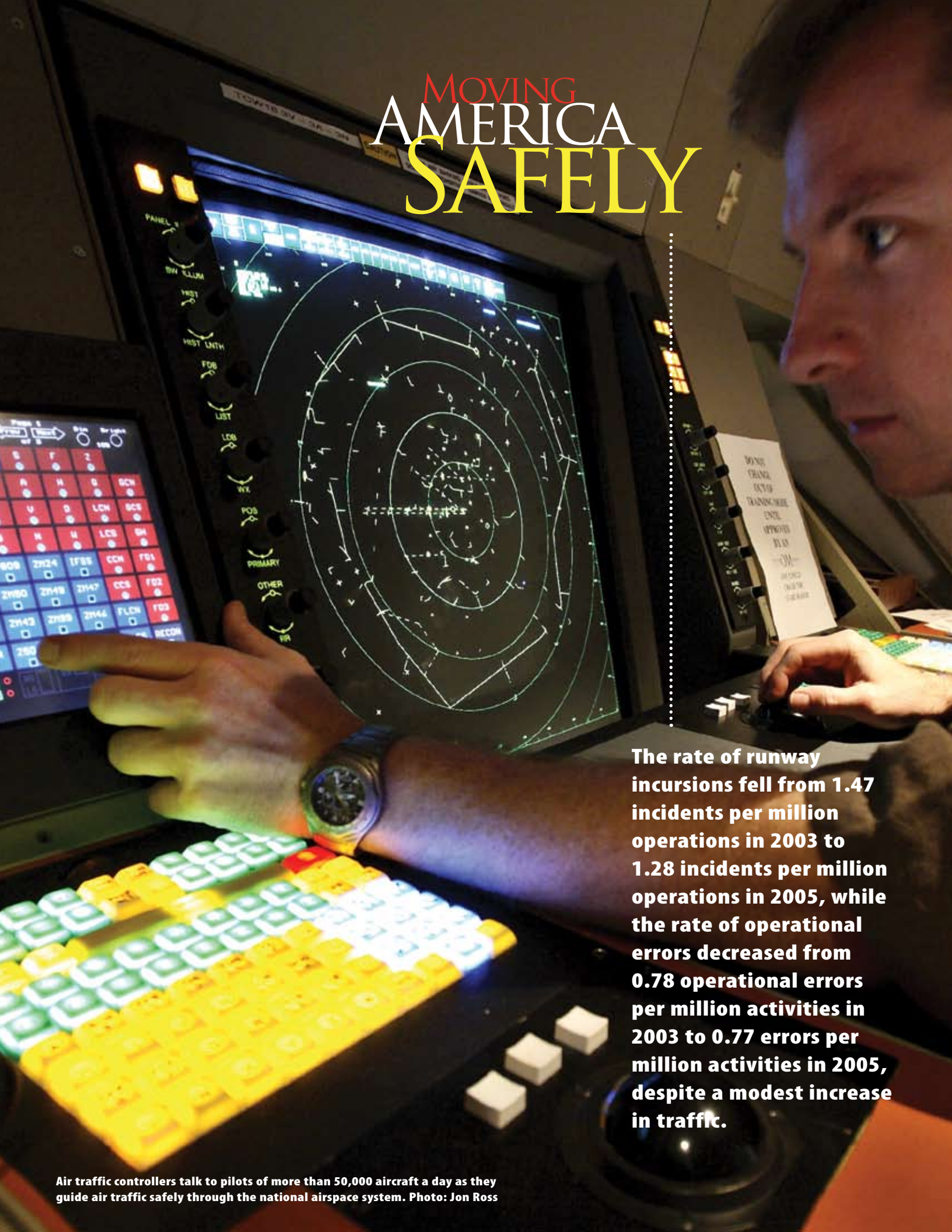
Highlights from Fiscal Year 2005

- We launched a new oceanic air traffic control system that allows more planes to fly fuel efficient routes over the ocean, saving the airlines fuel, time and money.
- We doubled the high-altitude airspace, a move that will save airlines $393 million a year in fuel with predictions of $5.3 billion in savings over the next ten years.
- We began installing new runway surface movement detection systems using satellite technology in airports to reduce the risk of runway incursions.
- We redesigned congested airspace over Florida with an estimated savings of nearly $30 million per year and less delays on the East Coast for our airline customers.
- We began training the new class of controllers using simulators modeled after ones developed for the Air Force. Our 438 new controllers will fill jobs in specific locations based on current and projected traffic volume.
- We reduced the labor cost per flight by 1.5 percent, even as we gave a 3.5 percent increase in wages to our employees. We also reduced non-salary spending by more than 3 percent.
- We awarded a contract to manage the automated flight service stations, with a projected savings of $2.2 billion over 13 years.

Leadership isn't just about installing new technology, hiring controllers and reducing costs. It's about creating an organization that can transform our air traffic system. Our overarching goal is to develop the Next Generation Air Transportation System (NextGen), a system flexible enough to accommodate very light jets and large commercial aircraft, manned and unmanned air vehicles, small airports and large, business and vacation travelers alike and to handle up to three times more the number of operations than the current system with no diminution in safety, security and efficiency.

That goal is set for 2025 and will require countless incremental steps to reach. This report is a snapshot of a second step in that direction.

Moving America Safely



The rate of runway incursions fell from 1.47 incidents per million operations in 2003 to 1.28 incidents per million operations in 2005, while the rate of operational errors decreased from 0.78 operational errors per million activities in 2003 to 0.77 errors per million activities in 2005, despite a modest increase in traffic.

Air traffic controllers talk to pilots of more than 50,000 aircraft a day as they guide air traffic safely through the national airspace system. Photo: Jon Ross

Starting with Safety

The Federal Aviation Administration is proud to operate and maintain the largest and safest air traffic system in the world. Air Traffic Organization employees safely orchestrate the takeoff, landing and routing of 50,000 aircraft a day across U.S. controlled airspace. In 2005, the FAA achieved the lowest airline fatal accident rate in the history of aviation.

Traffic Situation Display showing more than 7,000 flights over U.S. airspace.
Graphic: FAA

The FAA's safety record is second to none. With safety as our first priority, we also focus on customer service, employee productivity and better management of the FAA's taxpayer funded budget. With this emphasis, the Air Traffic Organization achieved some amazing results during fiscal year 2005 – doubling capacity in the nation's high-altitude airspace, reducing non-safety staff by 912 positions, and fielding 92 percent of capital programs on time and 97 percent on budget.

The Air Traffic Organization is focused on providing a service – moving close to 800 million passengers and 4 million military aircraft safely through the air every year, as well as about $3 billion of air freight per day. ATO employees provide air traffic services to about 46 million aircraft a year, while maintaining critical air traffic systems, fielding advanced technologies and developing new systems that make the national airspace system safer and more efficient. In 2005, these new technologies saved airlines more than a half billion dollars in fuel costs alone.

A stable and dependable air transportation system is vital to the U.S. economy. Based on 2004 data, the FAA estimates that annual direct expenditures of the civil aviation industry are about $190 billion. Including other economic activity generated by aviation, the industry brings a total contribution of $640 billion to the U.S. economy — or 5.4 percent of the U.S. gross domestic product — and more than 9 million jobs.

Our aviation system enables economic growth and provides a better quality of life for the American people. Since the economic deregulation of the airline industry, ticket prices have declined dramatically and opened up air travel to the masses. There are significantly more people traveling by air more often than there were only a decade ago. In 2005, 739 million people flew U.S. commercial carriers, compared to 580 million in 1995 and 382 million in 1985. The FAA expects this figure to reach 1 billion people by 2015 — less than a decade from now.

To support this growth, we must always return to our first priority — safety. We will continue to do everything we can to uphold that commitment to the flying public. Moving America safely, it's what we do.

MOVING AMERICA SAFELY

"In fiscal year 2005, the labor cost per flight dropped as controller productivity rose by an average of 3 percent. The labor cost of moving a flight through the system went from $280 per flight to $276 per flight, despite a 3.5 percent pay increase earned by our workforce."

Aircraft departing and arriving at Ft. Lauderdale Hollywood International Airport – some of the almost 900 aircraft that move through this airport daily. Photo: Jon Ross

Moving America Safely — It's What We Do

There are about 7,000 aircraft aloft over the United States at any one time, some flying at nearly supersonic speed. It is up to the more than 35,000 men and women of the Air Traffic Organization to keep them safely separated and on efficient flight paths. With vigilant eyes and a vast array of radars, satellites, computers and other systems, they monitor and guide air traffic around the clock.

A new class of controllers begins training at the FAA academy in Oklahoma City. The FAA hired 438 new air traffic controllers in fiscal year 2005. Photo: FAA

Almost 2 million passengers move through the National Airspace System each day. This system – called the NAS – is a network of interconnected sections of airspace, equipment and people. Spanning the country, it extends into the Atlantic, Pacific, and Arctic oceans, and links with neighboring countries' air traffic control systems to oversee international flights.

The NAS includes more than 19,000 airports, 750 air traffic control facilities, and 45,000 pieces of equipment that work seamlessly to provide safe and efficient flight services. This network is maintained by more than 10,000 federal employees, including engineers, program analysts, technical systems specialists, inspection and maintenance personnel, computer specialists, pilots, managers, administrative staff and many others.

Approximately 15,000 air traffic controllers in airport towers, terminal radar control facilities, and air route traffic control centers guide pilots through the system. These employees provide air navigation services to aircraft in the U.S. domestic airspace, and in 24.6 million square miles of international oceanic airspace delegated to the United States by the International Civil Aviation Organization. Leaders at every level work to ensure these safety services are provided in a safe, efficient and cost-effective manner.

The U.S. National and Oceanic Airspace totals approximately 30 million square miles.
Graphic: FAA

Workforce Productivity Improvements

In fiscal year 2005, the labor cost per flight dropped as controller productivity rose by an average of 3 percent. The labor cost of moving a flight through the system went from $280 per flight to $276 per flight, despite a 3.5 percent pay increase earned by the workforce.

In February of 2005, the FAA announced that Lockheed Martin had been selected to provide flight services at 58 Automated Flight Service Stations in the continental United States, Puerto Rico and Hawaii.

An instructor at the FAA's expert climbing course in Atlanta, Ga., works his way up a tower to secure safety equipment for students. Photo: Jon Ross

The public-private competition was the result of the Office of Management and Budget's Circular A-76 for public-private competition for the services. It affected roughly 2,500 government employees and was the single largest outsourcing in the federal government. Estimated savings from this outsourcing total more than $2.2 billion over 13 years.

Measuring Safety

We are in the business of providing a safety service. Reducing the risk of operational errors and runway incursions is one of the FAA's top priorities. Operational errors are errors made by air traffic controllers that result in a loss of standard separation criteria. Runway incursions occur when an aircraft, vehicle or pedestrian enters a runway without clearance and conflicts with other aircraft traffic.

To get an idea of the scope of this challenge, remember that more than 600,000 pilots made about 64 million takeoffs and landings in fiscal year 2005, with about 15,000 air traffic controllers at more than 500 towered airports guiding them. Adding to this complex choreography are the hundreds of thousands of individuals who drive vehicles on the airport grounds.

Reducing operational errors and runway incursions as airline traffic rebounds is a shared responsibility among pilots, air traffic controllers and vehicle drivers. To address this challenge, in 2005 the FAA focused on outreach, awareness, improved procedures and infrastructure, and technology.

Progress was made in reducing the severity, number and rate of pilot deviations – the most common type of runway incursion. To enhance pilot situational awareness, the FAA released a new pilot guide and DVD that highlighted communication procedures for safe surface operations at towered and non-towered airports. These tools were sent to all active certified flight instructors and designated pilot examiners for use in training. In collaboration with industry, the FAA also created online courses that educate general aviation and commercial pilots on runway safety.

FY 2005 Runway Incursion Performance Limit: No more than 36 Category A and B runway incursions. We ended the fiscal year with 29 Category A and B runway incursions, seven under the performance limit.

FY 2005 Operational Error Performance Limit: No more than 637 Category A and B operational errors. Enhanced oversight of our own air traffic control facilities led to an increase in the identification of operational errors. We ended the fiscal year with 681 Category A and B operational errors. Although we missed the goal, our level of review and oversight is unprecedented. As operational errors are better identified, the improved data we receive will enhance the way we manage system safety.

Safety Performance: Fiscal Year 2005

System	Actuals	Performance Limit	Performance
Runway Incursions**	29	36	☑
Operational Errors**	681	637	☒

** Category A & B

The ATO has implemented a focused safety program, including an improved evaluation process and training for identification and mitigation of safety risks. Because a solid computer-based error detection system improved performance for En Route by providing a better baseline, the ATO is moving toward a similar computer-based error detection system in terminal to achieve a better baseline and performance.

Productivity Metrics

Service Unit	Activity Type	FY 2005 EOY Activities per Direct Employee	FY 2004 EOY Activities per Direct Employee	Better/(Worse) Activities per Field Employee	Better/(Worse) Percent
ATO	Flight Count	761	731	30	4.1%
En Route	Flight Hours	3,509	3,433	76	2.2%
Terminal	Operations	12,092	11,736	356	3.0%
Flight Services	Contacts	7,714	6,890	824	12.0%
Technical Operations	Hours of Operational Availability	86,297	87,030	(732)	(0.8%)

More than 600,000 pilots made about 64 million takeoffs and landings in fiscal year 2005. Photo: Jon Ross

Moving America Safely

"Our immediate challenge is to control congestion and keep the highest safety levels as traffic increases."

The future of air traffic control lies in ADS-B. Instead of using radars on the ground to keep planes at a safe distance from one another, signals from satellites will do the job. Graphic: FAA

Challenges Ahead

While traffic growth in the short term has slowed, we expect a surge in demand over the next decade. By 2016, the FAA projects that domestic flights in the United States will increase by 27 percent over 2005 levels. Passenger traffic between the U.S. and international destinations is expected to grow by 70 percent.

A cockpit outfitted with ADS-B technology. NextGen technologies that the ATO is developing, such as ADS-B, will provide the tools needed to modernize the air traffic system. Photo: FAA

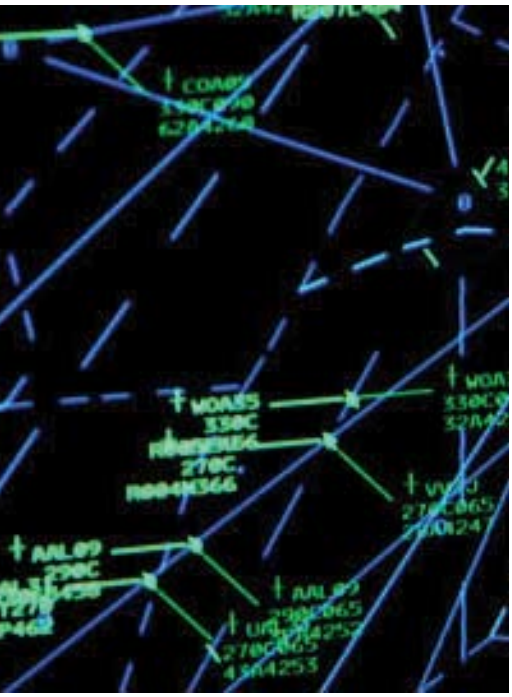
Our immediate challenge is to control congestion and keep the highest safety levels as traffic increases. We must be more efficient, we must be able to meet the public demand for air travel, and we must continuously improve the safety of the system.

The FAA's focus on safety has been so successful that accidents are relatively rare. Our efforts to improve the margin of safety have centered on precursors to accidents, which are called "operational errors" in the sky and "runway incursions" on the ground.

We began using a safety management system that identifies and addresses problems before they become accidents. We are also using new technology and procedures to reduce risk. On the airport surface, we are installing systems such as ASDE-X, which allows controllers to "see" aircraft on the surface in all weather conditions. In the air, we have implemented a number of new initiatives to reduce operational errors. These efforts are bearing fruit. The rate of runway incursions fell from 1.47 incidents per million operations in 2003 to 1.28 incidents per million operations in 2005, while the rate of operational errors decreased from 0.78 operational errors per million activities in 2003 to 0.77 errors per million activities in 2005, despite a modest increase in traffic over that same time period.

With 2006 traffic slightly down, we must still lay the groundwork for the increased demand that we know will come. We must transform the air transportation system so that we can add the needed capacity and, at the same time, improve the margin of safety and increase productivity. This will be our challenge.

The changes that are coming are too big, too fundamental for incremental adaptations of the infrastructure. Today's system is not scalable. We simply cannot add twice the infrastructure or hire twice as many people to accommodate twice the demand. We must find a way to modernize and transform our air transportation system starting right now.



New tools for air traffic controllers (URET and ASDE-X) that improve safety while saving industry $175 million in fiscal year 2005. Photo: Jon Ross

Turning Today's Commitments into Tomorrow's Reality

To do this, the FAA is building on a tried and true process called the Operational Evolution Plan. This government and industry commitment to reduce flight delays, increase efficiency and improve safety has been expanded into the Operational Evolution Partnership. The effort extends the plan that allowed the FAA to accelerate capacity projects at America's 35 busiest airports into a partnership that includes the projects we will need to build the next generation transportation system for aviation.

Focusing on Solutions

The OEP focuses on solutions that lead to the NextGen system. By funding programs that improve safety, reduce flight delays and increase efficiency, we help to make sure taxpayer dollars are spent only on initiatives that support the future.

Identifying Investments

Our investments today lay a very real foundation for tomorrow, so it is critical that we choose wisely. The OEP will continue to identify the investments that both industry and government support to create the NextGen system. Our choices today are our future and our legacy — they must be the right choices.

Achieving Results

The OEP achieves concrete results. Whether it is a new runway, satellite navigation or new procedures, the OEP delivers. 2005 OEP accomplishments include:

- New runway at Cleveland.
- More cost-effective routes at Houston, Washington (Dulles), Portland, Atlanta, Las Vegas, Dallas/Fort Worth, Minneapolis and San Francisco.
- Continued deployment of tools for air traffic controllers (User Request Evaluation Tool and ASDE-X) that improve safety while saving industry $175 million in fiscal year 2005.
- Doubling the capacity of our high-altitude airspace; saving $393 million in fuel costs.

Joint Planning and Development Office

In 2005 the Joint Planning and Development Office set up the structure for planning and developing the NextGen system. One of the most important accomplishments was the formation of the eight Integrated Product Teams. These teams, made of government and industry representatives, focused on strategies to include agile airspace, security, weather, environment, airports, surveillance, and global harmonization in the NextGen system.

This same year, the Joint Planning and Development Office, the FAA and an industry team demonstrated how network-enabled concepts developed for the military can be used in an air traffic management environment. The Joint Network-Enabled Operations Security Demonstration connected seven air traffic management and security systems distributed over 12 different locations. The successful demonstration showed how sharing real time information across air traffic, air defense, and law enforcement domains helps agencies respond to a security incident more rapidly and with greater efficiency.

The changing face of American aviation, including a more diverse mix of large and an increasing number of smaller aircraft, presents new challenges to airspace system demand and to controller workloads. Photo: FAA

Moving America Safely

GAO has used the FAA as a case study for how executive agencies provide information to Congress to assist in oversight.

The two-year-old Air Traffic Organization is well on its way to operating more like a business, positioning itself to respond effectively to the expected surge in demand in the coming decades. Photo: Jeff Bruzdzinski

Funding the Future

Congress has given the FAA clear direction to operate more like a business, and we have done so. In the 1990s, Congress provided for personnel and acquisition reform at the FAA. Earlier this decade, the Air Traffic Organization was established as a separate, performance-based organization within the FAA.

Smaller aircraft, such as the Eclipse 500 very light jet, are part of the changing mix of aircraft in the nation's airspace system. Photo: Eclipse Aviation

The ATO has taken numerous steps in the last several years to become more financially responsible and operate like a business.

- We reduced executive staffing by 20 percent and total management by 10 percent. Total savings from reducing non-safety ATO staffing is more than $127 million per year.
- Our cost accounting system can track costs to the service delivery point, and we are using this information to manage our organization better.
- Our recent competitive sourcing of flight service stations — the largest non-military A-76 process in government history — will save $2.2 billion since the inception of the initiative while providing better services to pilots.
- We have received a clean audit on our financial statements.

The Government Accountability Office testified, "ATO has implemented organizational and business process changes to improve management of the ATC modernization program. ATO has taken several steps to increase its scrutiny of its acquisition decisions and has met its acquisition performance goal for the second consecutive year…Our recent studies have shown that ATO is taking steps to break down…vertical lines of authority and organizational 'stovepipes.' ATO has become a flatter organization, with fewer management layers."

GAO has used the FAA as a case study for how executive agencies provide information to Congress to assist in oversight. According to an article in *Government Executive* (5/15/06), "The report makes it clear that FAA is on the leading edge of federal agencies in gathering performance information and providing it to members of Congress."

We know we must do even more, and reforming how we finance the aviation system is the logical next step in this evolution. We need to move quickly to determine what the new revenue structure should be. When the taxes last expired in the mid-1990s, no excise taxes went into the Airport and Airway Trust Fund for ten months — costing the Trust Fund approximately $5 billion. If there is a lapse in collections in 2007, the Trust Fund balance will only be sufficient to cover

At the David J. Hurley Air Traffic Control System Command Center in Herndon, Va., ATO employees strategize by talking to managers at various centers and towers as well as airline operations managers to help smooth the daily flow during surge periods and when bad weather strikes.
Photo: FAA

approximately two months of Trust Fund appropriations. Therefore, it is critical that a new revenue structure is in place before the existing taxes expire.

We believe matching costs with revenues is necessary to create the future aviation system with a funding stream that is more rational, stable and equitable. We know the demand will continue to grow. However, there is a lot less certainty about the future shape of aviation — for instance, the roles of regional jets, low cost carriers, very light jets, secondary airports, etc. As we have seen, the current system's dependence on factors with minimal connection to FAA workload (such as airline ticket prices), combined with a volatile industry, can create a significant gap between tax revenues and aviation system costs. A cost-based structure can create a more robust system that can handle the demand in various possible futures.

We are facing a major transition over the next two decades to the Next Generation System, which promises more efficiency and capacity. The aviation industry strongly supports NextGen, but there must be a reliable funding source to pay for it.

Abilene's new ASR-11 radar antenna. Photo: Hank Morgan

Moving America Safely

In one of the most significant changes in airspace management in decades, the FAA adds six flight levels in the airspace between 29,000 and 41,000 feet by reducing the vertical separation minimum between aircraft from 2,000 to 1,000 feet.

FAA collaborates with industry to improve air traffic efficiency and reduce the complexity of the airspace in Florida, resulting in shorter flight distances into South Florida airports and reduced departure delays. Photo: Jon Ross

Year in Review

Fiscal year 2005 was a banner year for the Air Traffic Organization. From Iraq to New Orleans, ATO employees supported our nation. We saved our industry partners millions of dollars in fuel costs and kept up an impressive safety record. Here are some of the highlights.

More than 600 ATO employees served in Iraq, Afghanistan, Kuwait and the Middle East to assist these countries in rebuilding their air traffic systems. Photo: FAA

First Quarter

October: Administrator Blakey signs a newly revised acquisition management system (AMS) policy that focuses on portfolio management of capital programs rather than the traditional program-by-program perspective. For example, as investments in satellite-based systems increase, investments in traditional ground-based systems decrease. This approach is immediately applied to FAA budget requests.

December: The FAA releases *A Plan for the Future: the Federal Aviation Administration's 10-year Strategy for the Air Traffic Controller Workforce*. The report outlines the agency's plan to hire and train more than 11,000 new controllers over the next decade. In fiscal year 2005, the FAA doubles the terminal simulation capability by installing four new tower simulators at the FAA Academy, along with a new high-altitude training lab.

December: The ATO honors the more than 600 employees who served in Iraq, Afghanistan, Kuwait, and other countries in the Middle East. FAA employees lent their time and expertise to help these countries rebuild their airports and air navigation systems following wars in the region.

Second Quarter

January: In one of the most significant changes in airspace management in decades, the FAA adds six flight levels in the airspace between 29,000 and 41,000 feet by reducing the vertical separation minimum between aircraft from 2,000 to 1,000 feet. By essentially doubling the high-altitude airspace, more aircraft can fly at fuel-efficient altitudes. It also gives air traffic controllers and pilots options to move aircraft efficiently and avoid turbulence or thunderstorms. The move is estimated to save airlines more than $5.3 billion over the next decade.

February: FAA announces that Lockheed Martin will provide flight services at 58 Automated Flight Service Stations in the continental United States, Puerto Rico and Hawaii. The public-private competition is the result of the Office of Management and Budget's Circular A-76 for public-private competition for the services. It affects roughly 2,500 government employees and is the single largest outsourcing in the federal government. Estimated savings from this outsourcing total more than $2.2 billion over 13 years.

Flooding from hurricane Katrina covers the runways at the New Orleans airport. The FAA reopened a runway at this airport within 24 hours, making it possible to bring in life-saving supplies and evacuate people. Photo: FAA

March: The new oceanic air traffic control system, known as ATOP, is launched. By using satellites and electronic reporting of aircraft positions, the system allows more airlines to fly fuel efficient routes over the Atlantic Ocean, saving the industry an estimated $393 million a year.

Third Quarter

May: The ATO begins installing new runway surface movement detection systems in air traffic control towers across the country to help reduce the risk of runway incursions. Airport Surface Detection Equipment - Model X uses satellite technology in addition to radar to improve surveillance on runways in all kinds of weather.

June: The ATO redesigns the high-altitude airspace over the Northwest United States, allowing for more fuel efficient flights. The redesign gives pilots and controllers more flexibility in changing routes to avoid severe weather.

June: Controllers at air route traffic control centers begin using a new tool that automatically predicts spacing conflicts. The User Request Evaluation Tool allows controllers to grant more direct routings and user-preferred routes, saving the airlines approximately 25 million miles and $175 million in fiscal year 2005.

Fourth Quarter

August: In record time, the ATO repairs and rebuilds the facilities and equipment needed to restore air traffic services in the aftermath of hurricane Katrina. Within 24 hours, the FAA reopens a runway at New Orleans' Louis Armstrong International Airport, making it possible to bring in life-saving supplies and evacuate people.

September: South Florida Airspace Redesign — FAA collaborates with industry to improve air traffic efficiency and reduce the complexity of the airspace in Florida. This results in shorter flight distances and reduced departure delays to South Florida destinations from Boston, New York and Washington, D.C., metropolitan airports. The project reduces delays at key South Florida airports by more than 50 percent.

The heart of FAA's traffic flow management is the Air Traffic Control System Command Center in Herndon, Va . Photo: FAA

Moving America Safely

In the Controller Workforce Plan, first issued in December 2004, we have committed to a 10 percent productivity improvement over five years through improved technology, better scheduling and management of non-productive time.

In 2005, ATO cut the labor cost per controlled flight by $4 per flight. Photo: Jeff Randall

Cost of Services

A key underlying component of a performance-based organization is the set of metrics by which one assesses progress. As the old adage goes, "you don't get what you don't measure." Through our strategic planning process, we have established metrics and targets by which we measure the major safety, operational, and financial performance of the ATO.

When the ATO was formed, we had operational and safety measurements but not financial metrics. Since then, financial metrics have been established that not only measure performance of the ATO as a whole but have been cascaded down to the service areas and to individual facilities. A few measures that have been established this year include:

Unit cost of operations

A basic tenet of any business is knowing its unit cost of operations. We are now measuring what it costs to control a flight through the airspace and, like any other business, are looking at how to reduce that cost. This has allowed new knowledge and new understanding as to what drives up costs and how to control costs. The ATO has been successful in cutting labor costs per controlled flight by 1.5 percent or $4 per controlled flight.

Productivity

A building block to unit cost is productivity. As a an overall metric, we measure the total controlled flights per ATO employee. In fiscal year 2005 we improved this metric by 6 percent over fiscal year 2004 and now handle 525 flights per employee. In the Controller Workforce Plan, first issued in December 2004, we have committed to a 10 percent productivity improvement over five years through improved technology, better scheduling and management of non-productive time.

Overhead

We measure overhead both in the field and at headquarters. In the field we look at the ratio of direct employees, those who are out there on the line making it happen, to those who are in support roles. The ability to look at this measure at individual

"The ATO has been successful in cutting labor costs per controlled flight by 1.5 percent or $4 per controlled flight."

— Gene Juba, Senior Vice President for Finance

The ATO is working to streamline its staff to more effectively manage and control costs. Photo: FAA

facilities allows us to manage efficiently and put resources, where we need them. In terms of achievements, ATO has:

- Flattened its organization by eliminating five layers of management.
- Reduced executive staff by 20 percent.
- Reduced non-safety personnel by 16 percent.

The bottom line is that we are running the ATO more like a business and asking our people to spend the taxpayers' money like it was coming out of their own pockets. At the same time, we never forget our obligation to provide the safest and most efficient airspace in the world.

Management's Discussion and Analysis of Cost of Services Report

The cost of services report for fiscal periods 2004 and 2005 remained consistent with prior years. With the exception of adjustments detailed in the footnotes below, the following account lines had noticeable change during the fiscal periods. The labor and benefits expense increased a modest 1.9 percent from 2004 to 2005. This relatively stable cost level during a period of increased workload is a result of gains in employee productivity and a higher-than-expected rate of attrition whereby the number of employees declined.

The increase (13 percent) in depreciation expense of $127 million is attributable to capitalizing a larger number of system assets that were placed into service during fiscal periods 2004 and 2005. These additional system assets are the result of implementing innovative systems that are key to the development of the Next Generation Air Transportation System.

The decrease in telecommunication expense is primarily a result of credits for approximately $41 million received from a settlement of disputed overcharges during prior fiscal periods.

The $50 million decrease in the facilities headquarters and regional overhead expense is a result of decreased expenditures of approximately $24 million in contractor support, $8 million in maintenance and repair of electronic equipment and GSA costs for office space of $21 million. These decreased expenses were partially offset by increased expenses of $4 million for workers compensation, and other adjustments totaling $3 million.

The increase (20 percent) of installation and acquisition expense during fiscal periods 2004 and 2005 is attributable to a realization of Facilities and Equipment business events from appropriations for fiscal years 2003 and 2004.

The decrease (-39 percent) in research and development expense is attributable to a decline in the designated appropriations from year to year.

FAA Air Traffic Organization - Cost of Services Report Period Ending September 30, 2004 and 2005

(Dollars in Thousands)

	2004 (Revised)	2005
Air Traffic Control and Management Costs:		
Labor and Benefits	$3,317,690	$3,392,172
Support Services	$206,508	$191,339
Depreciation on Plant and Equipment	$964,020	$1,091,428
Contract Towers	$82,243	$89,703
Systems Command Center	$47,928	$52,714
Overhead (Regional and Headquarters)	$207,820	$220,723
Total Air Traffic Control and Management Costs	**$4,826,209**	**$5,038,079**
Facilities, Equipment and System Maintenance Costs:		
Labor and Benefits	$847,332	$849,863
Facility Support Services	$112,496	$114,093
Telecommunications	$262,279	$235,210
Flight Inspection Services	$171,526	$174,870
Operations and Network Control Centers	$55,504	$51,576
Utilities	$67,855	$70,125
Contract Maintenance	$140,381	$142,985
Materials	$86,248	$85,130
Overhead (Regional and Headquarters)	$437,612	$387,175
Total Facilities, Equipment and System Maintenance Costs	**$2,181,233**	**$2,111,027**
Facilities, Equipment and System: Installation and Acquisition Costs:		
Installation	$178,590	$207,052
Acquisition	$628,404	$761,408
Total Facilities, Equipment Installation and Acquisition Costs	**$806,994**	**$968,460**
Research and Development Costs	**$34,845**	**$21,177**
Agency and Other Costs:	**$712,316**	**$759,023**
Total Cost of ATO Services	**$8,561,597**	**$8,897,766**

General aviation organizations, such as AOPA, maintain that general aviation "has never been safer." And, according to the FAA, the numbers seem to bear that out. FAA's collaborative work with the general aviation community in terms of training and awareness is designed to promote safety. Photo: FAA

Footnotes to Cost of Services Report

Basis of Presentation - The following are adjustments made to this presentation of the fiscal year 2004 Cost of Services report then previously issued. The Air Traffic Organization (ATO) Cost of Services report is prepared to present those costs associated with the provision of Air Traffic Services. The costs presented do not include ATO costs associated with reimbursables or for special Agency internal projects. This Cost of Services report is management's presentation and has not been audited.

Post Closing and Other Errors - During fiscal year 2004, a number of transactions were included in the Agency's statement of net cost but not assigned to the Air Traffic Organization (ATO) Cost of Service report. These transactions include accruals and processing errors. As a result, the expenses report for fiscal year 2004 were increased by $394 million for the following Cost of Service report line items: Air Traffic Control and Management Costs for $124 million; Facilities, Equipment and System Maintenance Costs for $114 million; Facilities, Equipment and System, Installation and Acquisition Costs for $91 million; and Agency and Other Costs for $65 million.

Recognized Costs - Special internal costs attributable to the Transportation Security Administration (TSA) were incorrectly included within the Air Traffic Organization (ATO) Cost of Service report. As a result, the fiscal year 2004 ATO Cost of Services report line item for Facilities, Equipment and System, Installation and Acquisition Costs decreases by $145 million.

Construction in Progress - Due to management's on-going review of the processes surrounding the Construction in Progress (CIP) account and capitalization, costs were identified as CIP that should have been expensed in fiscal year 2004. As a result, these expenses increase the Cost of Services report line item for Facilities, Equipment and System, Installation and Acquisition Costs by $278 million.

Depreciation - Due to management's understanding of asset capitalization processes, depreciation expenses for fiscal year 2004 were understated. As a result of this adjustment, depreciation expense is increased by $116 million.

Performance Measure	FY04	FY05
ATO Total Cost per IFR Flight	**$479**	**$486**
ATO Labor Cost per IFR Flight	**$280**	**$276***
En Route labor cost/flight hour	**$58**	**$59**
Terminal labor cost/operation	**$18**	**$18**
ATO Productivity (Instrument Flights per Employee)	**495**	**525**
Overhead Labor Rate	**19%**	**18%**
Direct Staffing Ratio	**9.24**	**9.46**

Chart: Performance Measures.
*** revised figure**

Controllers move an ever-increasing combination of aircraft through the system. Terminal operations include clearing very light jets, helicopters, air taxis, private jets, military aircraft and cargo planes for takeoff and landing, mixed in with commercial flights concerned with both time and fuel management. Photo: FAA

Leadership Team & Members of the Air Traffic Services Committee

Air Traffic Services (ATS) Committee

Created in 2003 by the "Vision 100 – Century of Aviation Reauthorization Act," the Air Traffic Services Committee meets quarterly to assess and advise the ATO. The panel members, who serve three-year terms, are appointed by the President with the advice and consent of the Senate.

They are chosen based on their professional experience and expertise in management, customer services, procurement, technology and labor relations. The FAA Administrator chairs the committee.

Marion Blakey, FAA Administrator and ATS Committee Chair

Phil Brady, President of National Automobile Dealers Association

Kip Hawley, Executive Vice President of Corporate Development for Arzoon, Inc.

Leon Lynch, International Vice President of Human Affairs for the United Steelworkers of America

Sharon Patrick, President and CEO of the Sharon Patrick Company

FAA Leadership

Marion C. Blakey
Administrator, Federal Aviation Administration

Robert A. Sturgell
Deputy Administrator, Federal Aviation Administration

ATO Leadership

Russell G. Chew
Chief Operating Officer, Air Traffic Organization

Eugene D. Juba
Senior Vice President for Finance

Michael Cirillo
Vice President for System Operations Services

Victoria Cox
Vice President for Operations Planning Services (Acting)

William S. Davis
Vice President for Safety Services

Richard Day
Vice President for En Route & Oceanic Services

D. Bruce Johnson
Vice President for Terminal Services

Sandra M. Sanchez
Vice President for Communications Services

James H. Washington
Vice President for Acquisition & Business Services

Steven B. Zaidman
Vice President for Technical Operations Services

Notes

FAA Values

SAFETY IS OUR PASSION.

We're world leaders in aerospace safety.

QUALITY IS OUR TRADEMARK.

We serve our country, our customers, and each other.

INTEGRITY IS OUR CHARACTER.

We do the right thing, even if no one is looking.

PEOPLE ARE OUR STRENGTH.

We treat each other as we want to be treated.

Please check out our Web site at www.faa.gov to see if there are any revisions or corrections to the content of this report.
We've made sure the information in this report is accurate and up-to-date; however the content may have changed since the time of printing.
Printed: September 2006.

Design: ATO Communications | Photography: FAA, Ian Bradshaw, Jeff Bruzdzinski, David Hills, Hank Morgan, Jeff Randall, Jon Ross, and Jody Smyers.

Federal Aviation Administration
Air Traffic Organization
800 Independence Ave, S.W.
Washington, DC 20591

www.faa.gov