

**U.S. Department of Transportation
Consolidating Balance Sheet
For the Period Ended September 30, 1998
(Dollars in Thousands)**

Assets	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimina</u>
Entity:					
Intragovernmental:					
Fund Balance with Treasury (Note 2)	\$ 8,649,096	\$ 1,569,560	\$ 1,491,495	\$ 7,672,929	\$
Investments (Note 3)	17,925,534	8,618,510	1,152,974	70,841	
Accounts Receivable, Net (Note 4)	3,383	54,894	106,844	233,000	
Interest Receivable (Net)	-	134,128	1,518	41	
Other Assets (Note 5)	5,155	160,330	125,396	73,801	
Total Intragovernmental Assets:	\$ 26,583,168	\$ 10,537,422	\$ 2,878,227	\$ 8,050,612	\$
Investments (Note 3)	-	-	27	-	
Accounts Receivable, Net (Note 4)	15,861	26,318	48,759	11,391	
Interest Receivable (Net)	-	-	-	148	
Loans Receivable and Related					
Foreclosed Property, Net (Note 6)	-	394	-	343,234	
Cash and Other Monetary Assets (Note 7)	-	59,710	3,392	13	
Inventory and Related Property, Net (Note 8)	-	819,580	1,016,704	354,335	
Gen Property, Plant, & Equipment, Net (Note 9)	41,272	8,375,113	5,227,209	178,233	
Other Assets (Note 5)	184,311	8,462	11,166	258	
Total Entity	\$ 26,824,612	\$ 19,826,999	\$ 9,185,484	\$ 8,938,224	\$
Non-Entity:					
Intragovernmental:					
Fund Balance with Treasury (Note 2)	\$ -	\$ -	\$ -	\$ 47	\$
Investments (Note 3)	-	-	934,240	-	
Interest Receivable (Net)	-	-	11,428	-	
Total Intragovernmental Assets:	\$ -	\$ -	\$ 945,668	\$ 47	\$
Accounts Receivable, Net (Note 4)	-	-	9,652	403	
Total Non-Entity	\$ -	\$ -	\$ 955,320	\$ 450	\$
Total Assets	\$ 26,824,612	\$ 19,826,999	\$ 10,140,804	\$ 8,938,674	\$

Unaudited

**Department of Transportation
Consolidating Balance Sheet
For the Period Ended September 30, 1998
(Dollars in Thousands)**

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimin</u>
Liabilities					
Liabilities Covered by Budgetary Resources:					
Intragovernmental:					
Accounts Payable	\$ 8,072,434	\$ 179,788	\$ 140,612	\$ 12,208	\$
Interest Payable	-	-	-	11,586	-
Debt (Note 10)	-	-	-	317,159	-
Other Intragovernmental Liabilities (Note 11)	11,114	69,097	67,008	203,686	-
Total Intragovernmental Liabilities:	\$ 8,083,548	\$ 248,885	\$ 207,620	\$ 544,639	\$
Accounts Payable	740,922	505,979	132,833	196,855	-
Liabilities for Loan Guarantees (Note 6)	-	-	-	135,619	-
Lease Liabilities (Note 12)	-	687	-	-	-
Other Liabilities (Note 11)	14,646	189,008	131,286	35,757	-
Total Liabilities Covered by Budgetary Resources	\$ 8,839,116	\$ 944,559	\$ 471,739	\$ 912,870	\$
Liabilities Not Covered by Budgetary Resources:					
Intragovernmental:					
Debt (Note 10)	\$ -	\$ 24	\$ -	\$ -	\$
Environmental Cleanup Costs (Note 13)	-	-	59,762	-	-
Other Intragovernmental Liabilities (Note 11)	2,432	181,065	14,894	22,753	-
Total Intragovernmental Liabilities:	\$ 2,432	\$ 181,089	\$ 74,656	\$ 22,753	\$
Lease Liabilities (Note 12)	-	103,532	-	-	-
Federal Employees and Veterans' Benefits (Note 14)	12,379	926,780	20,072,211	45,020	-
Environmental Cleanup Costs (Note 13)	-	3,244,300	-	32,878	-
Other Liabilities (Note 11 & 15)	25,575	873,466	300,639	33,491	-
Total Liabilities Not Covered by Budgetary Resources	\$ 40,386	\$ 5,329,167	\$ 20,447,506	\$ 134,142	\$
Total Liabilities	\$ 8,879,502	\$ 6,273,726	\$ 20,919,245	\$ 1,047,012	\$

Unaudited

**Department of Transportation
Consolidating Balance Sheet
For the Period Ended September 30, 1998
(Dollars in Thousands)**

Net Position (Note 16)	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimin</u>
Unexpended Appropriations	\$ -	\$ 336,470	\$ 1,316,016	\$ 7,837,985	\$
Cumulative Results of Operations	17,945,110	13,216,803	(12,094,457)	53,677	\$
Total Net Position	<u>\$ 17,945,110</u>	<u>\$ 13,553,273</u>	<u>\$(10,778,441)</u>	<u>\$ 7,891,662</u>	<u>\$</u>
Total Liabilities and Net Position	<u>\$ 26,824,612</u>	<u>\$ 19,826,999</u>	<u>\$ 10,140,804</u>	<u>\$ 8,938,674</u>	<u>\$</u>

Unaudited

**U.S. Department of Transportation
Consolidating Statement of Net Cost
For the Period Ended September 30, 1998
(Dollars in Thousands)**

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimin</u>
Program Costs (Notes 17 & 18)					
Surface Transportation:					
Intragovernmental	\$ 40,374	\$ -		\$ 15,826	\$
Public	22,258,994	-	-	4,222,723	
Total	22,299,368	-	-	4,238,549	
Less Earned Revenues	(56,238)	-	-	(64,311)	
Net Program Costs	\$ 22,243,130	\$ -	-	\$ 4,174,238	\$
Air Transportation:					
Intragovernmental	\$ -	\$ 520,990	\$ -	\$ -	\$ -
Public	-	8,677,118	-	-	-
Total	-	9,198,108	-	-	-
Less Earned Revenues	-	(116,296)	-	-	-
Net Program Costs	\$ -	\$ 9,081,812	\$ -	\$ -	\$ -
Maritime Transportation:					
Intragovernmental	\$ -	\$ -	\$ 957,451	\$ -	\$ -
Public	-	-	4,322,218	710,383	
Total	-	-	5,279,669	710,383	
Less Earned Revenues	-	-	(128,143)	(459,664)	
Net Program Costs	\$ -	\$ -	\$ 5,151,526	\$ 250,719	\$
Cross-Cutting Programs					
Intragovernmental	\$ -	\$ -	\$ -	\$ 202,209	\$
Public	-	-	-	1,212	
Total	-	-	-	203,421	
Less Earned Revenues	-	-	-	(203,421)	
Net Program Costs	\$ -	\$ -	\$ -	\$ -	\$

Unaudited

**U.S. Department of Transportation
Consolidating Statement of Net Cost
For the Period Ended September 30, 1998
(Dollars in Thousands)**

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimi</u>
Cost Not Assigned to Programs	\$ -	\$ -	\$ -	\$ 304,919	\$
Less Earned Revenues Not Attributed to Programs	-	-	-	(148,082)	
Deferred Maintenance (Note 19)					
Net Cost of Operations	\$ 22,243,130	\$ 9,081,812	\$ 5,151,526	\$ 4,581,794	\$

Unaudited

U.S. Department of Transportation
Consolidating Statement of Changes in Net Position
For the Period Ended September 30, 1998
(Dollars in Thousands)

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimina</u>
Net Cost of Operations	\$ (22,243,130)	\$ (9,081,812)	\$ (5,151,526)	\$ (4,581,794)	\$
Financing Sources:					
Appropriations Used	-	3,312,612	3,899,912	2,880,448	
Taxes and Other Revenue (Note 20)	28,335,114	8,725,972	478,227	2,260,000	
Donations	-	(774)	97,349	-	
Imputed Financing	-	355,732	27,456	24,363	
Transfers-In	-	11,691	145,315	-	
Transfers-Out	(10,372,609)	(64,268)	(441,499)	(1,358)	
Other	-	-	30,129	-	
Net Results of Operations	\$ (4,280,625)	\$ 3,259,153	\$ (914,637)	\$ 581,659	\$
Prior Period Adjustments (Note 21)	18,688	(5,528,065)	(13,425,847)	(76,204)	
Net Change in Cumulative Results of Operations	\$ (4,261,937)	\$ (2,268,912)	\$ (14,340,484)	\$ 505,455	\$
Increase (Decrease) in Unexpended Appropriations	-	(380,032)	(89,751)	(1,318,035)	(
Change in Net Position	\$ (4,261,937)	\$ (2,648,944)	\$ (14,430,235)	\$ (812,580)	\$ (
Net Position, Beginning of Period	22,207,047	16,202,217	3,651,794	8,704,242	
Net Position, End of Period	\$ 17,945,110	\$ 13,553,273	\$ (10,778,441)	\$ 7,891,662	\$ (
Unaudited					

**U.S. Department of Transportation
Consolidating Statement of Budgetary Resources
For the Period Ended September 30, 1998
(Dollars in Thousands)**

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Elimin)</u>
Budgetary Resources (Note 22):					
Budget Authority (Line 1)	\$ 33,456,013	\$ 11,184,553	\$ 4,032,687	\$ 2,512,116	\$
Unobligated Balances - Beginning of Period and Net Transfers (Line 2)	36,198,070	7,229,820	2,458,298	1,829,995	
Spending Authority From Offsetting Collections (Line 3)	47,263	2,033,195	292,885	3,301,188	
Adjustments (Lines 4-6)	(20,926,068)	114,148	6,528	(140,399)	
Total Budgetary Resources (Line 7)	<u>\$ 48,775,278</u>	<u>\$ 20,561,716</u>	<u>\$ 6,790,398</u>	<u>\$ 7,502,900</u>	<u>\$</u>
Status of Budgetary Resources:					
Obligations Incurred (Line 8)	\$ 25,323,837	\$ 11,338,673	\$ 4,271,207	\$ 5,458,340	\$
Unobligated Balances - Available (Line 9)	5,405,381	522,739	372,848	1,683,034	
Unobligated Balances - Not Available (Line 10)	18,046,060	8,700,304	2,146,343	361,526	
Total, Status of Budgetary Resources (Line 11)	<u>\$ 48,775,278</u>	<u>\$ 20,561,716</u>	<u>\$ 6,790,398</u>	<u>\$ 7,502,900</u>	<u>\$</u>
Outlays:					
Obligations Incurred (Line 8)	\$ 25,323,837	\$ 11,338,673	\$ 4,271,207	\$ 5,458,340	\$
Less: Spending Authority From Offsetting Collections and Adjustments (Lines 3A, B, D, & 4A)	(99,514)	(2,161,115)	(341,577)	(3,389,303)	
Obligated Balance, Net - Beginning of Period (Line 12)	35,693,844	5,074,554	1,273,908	5,851,944	
Obligated Balance Transferred, Net (Line 13)	-	-	-	(43)	
Less: Obligated Balance, Net - End of Period (Line 14)	(36,442,471)	(5,038,337)	(1,286,624)	(5,697,075)	
Total Outlays (Line 15)	<u>\$ 24,475,696</u>	<u>\$ 9,213,775</u>	<u>\$ 3,916,914</u>	<u>\$ 2,223,863</u>	<u>\$</u>

Unaudited

**U.S. Department of Transportation
Consolidating Statement of Financing
For the Period Ended September 30, 1998
(Dollars in Thousands)**

Obligations and Nonbudgetary Resources:	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Eliminations)</u>
Obligations Incurred	\$ 25,323,837	\$ 11,338,673	\$ 4,271,207	\$ 5,452,639	\$ (261,3
Less: Spending Authority for Offsetting Collections & Adjustments	(99,514)	(2,161,115)	(341,577)	(3,385,560)	235,;
Donations Not in Budget	-	(774)	97,349	1	
Financing Imputed for Cost Subsidies	-	355,732	27,456	24,362	
Transfers-In (Out)	(10,372,609)	(52,577)	(296,184)	-	
Exchange Revenue Not in Budget	8,591	(40)	(45,117)	41,075	
Intra-Departmental Transfers	(2,339,697)	-	-	2,337,997	
Inventory Revaluation	-	-	30,129	-	
Other Miscellaneous Resources	-	20,736	-	22,374	(9,8
Total Obligations as Adjusted, and Non-Budgetary Resources	\$ 12,520,608	\$ 9,500,635	\$ 3,743,263	\$ 4,492,888	\$ (35,3

Resources That Do Not Fund Net Cost of Operations:					
Change in Amount of Goods, Services, & Benefits Ordered But Not Yet Received or Provided	\$ (661,967)	\$ (122,275)	\$ 119,139	\$ 143,542	\$ 9,;
Costs Capitalized on the Balance Sheet	873	2,995,785	7,881,741	(311)	
Financing Sources That Fund Costs of Prior Periods	(1,440)	(85,504)	(5,015,651)	(24,102)	
Prior Period Adjustments	-	(3,517,446)	(8,411,025)	-	
Intra-Departmental Transfers	10,372,609	-	296,218	-	
Other Miscellaneous Resources	-	(876,930)	4,887	(127,891)	13,;
Total Resources That Do Not Fund Cost of Operations	\$ 9,710,075	\$ (1,606,370)	\$ (5,124,691)	\$ (8,762)	\$ 22,;

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**U.S. Department of Transportation
Consolidating Statement of Financing
For the Period Ended September 30, 1998
(Dollars in Thousands)**

	<u>HTF</u>	<u>FAA</u>	<u>USCG</u>	<u>All Other</u>	<u>(Eliminations)</u>
Cost That Do Not Require Resources:					
Depreciation & Amortization	\$ (591)	\$ 180,059	\$ 276,791	\$ 25,278	\$
Revaluation of Assets and Liabilities	13,059	(483,498)	-	(157)	
Loss on Disposition of Assets (FAA)	-	511,737	-	-	
Inventory Free Issues (USCG)	-	-	196,396	-	
Other Miscellaneous Costs	(21)	133,222	35,598	40,477	
Total Costs That Do Not Require Resources	\$ 12,447	\$ 341,520	\$ 508,785	\$ 65,598	\$
Financing Sources Yet To Be Provided (Note 23)	\$ -	\$ 846,027	\$ 6,024,169	\$ 32,070	\$
Net Cost of Operations	\$ 22,243,130	\$ 9,081,812	\$ 5,151,526	\$ 4,581,794	\$ (12,2

Unaudited



TRANSPORTATION ADMINISTRATIVE SERVICE CENTER (TASC)

TASC embodies the basic concept of the National Performance Review (NPR) to make government work better and cost less. By using a combination of federal staff working in partnership with private sector contractors, TASC delivers quality services at competitive prices to DOT and other governmental entities. As a business-like operation, TASC recovers its operating costs through fees.

FY 1998, revenue from non-DOT customers made up 21 percent of total TASC revenue. A majority of this non-DOT revenue was generated from Information Technology Omnibus Procurement (ITOP) services provided to various organizations in the Department of Defense and Year 2000 services provided to the numerous non-DOT customers. Since its inception, TASC has continued progress in reducing costs. In FY 1998, TASC reduced service charges to procure contract printing by 50 percent and reduced TASC Computer Center rates by 15 percent. TASC has also increased the number of services that are billed through fees based on usage rather than cost allocation. When established in 1996, only 4 percent of TASC activities were billed on usage based fees. Beginning in FY 1999, 45 percent of TASC activities will be billed through this methodology. Usage based fee activities give TASC customers more control over costs.

Another major accomplishment is the continued success of the ITOP program. In 1996, ITOP began as a highly visible, Government-wide, 7 year, \$1.13 billion information technology service program that embodies the tenets of the National Performance Review and various procurement reform legislation of recent years. As a result of ITOP's enormous success, the program has utilized its \$1.13 billion contract value in less than 3 years, greatly exceeding expectations.

Consequently, TASC is in the process of awarding ITOP II, a 7-year, and \$10.0 billion version of the original ITOP program. Based on the continued high demand for this service, we anticipate that the program will continue to be a success.

TASC Business Practices
Worklife Wellness
Facilities Service Center
Information Services
Learning and Development
Space Management
Security Operations
Information Systems Management Consulting
Information Technology Operations
Acquisition Services
Human Resources Services

During FY 1998, TASC continued to improve its management framework and infrastructure, which in turn, improves its ability to operate as a strong self-sustaining organization. TASC continues to focus on being the provider of choice for support services in over 70 areas to the Department's Operating Administrations as well as non-departmental customers. TASC increased its total revenue from \$107.4 million in FY 1997 to \$140.2 million in FY 1998, an increase of \$32.8 million, including a 143 percent increase in revenue from non-DOT customers. In

**Transportation Administrative Service Center
Statement of Financial Position
As of September 30, 1998
(Dollars in Thousands)**

ASSETS		FY 1998
Cash		24,785
Accounts Receivable		14,476
Travel Advances		
Other Advances		59
Other Assets:		
Prepayments		374
Fixed Assets:		
Equipment - Personal Property	24,854	
Less: Accumulated Depreciation	<u>(16,010)</u>	8,844
Automated Data Processing Software	1,495	
Less: Accumulated Depreciation	<u>(658)</u>	837
Leasehold Improvements	787	
Less: Accumulated Depreciation	<u>(686)</u>	101
Total Assets		<u><u>49,476</u></u>
 LIABILITIES		
Accounts Payable:		
Government Agencies		3,503
Commercial Vendors		17,730
Accrued Liabilities:		
Advances from Others		512
Advances from Others - WCF Operations		7,444
Salaries and Wages		1,921
Annual Leave		1,509
Actuarial Liability		<u>857</u>
Total Liabilities		<u>33,476</u>
 CAPITAL		
Total Equity (See Equity Statement)		<u>16,000</u>
Total Liabilities and Capital		<u><u>49,476</u></u>

**Transportation Administrative Service Center
Statement of Equity
As of September 30, 1998
(Dollars in Thousands)**

	FY 1998
EQUITY INVESTED	9,822
EQUITY AVAILABLE FOR REINVESTMENT	9,852
CAPITAL INVESTMENTS - UNFILLED ORDERS	298
CUMULATIVE RESULTS FROM OPERATIONS	(3,115)
FUTURE FUNDING REQUIREMENTS	<u>(857)</u>
TOTAL EQUITY	16,000

**Transportation Administrative Service Center
Statement of Revenue and Expense
For Period Ended September 30, 1998
(Dollars in Thousands)**

REVENUE:	FY 1998
OST	11,003
USCG	19,933
FAA	39,196
FRA	1,433
NHTSA	7,563
FTA	5,060
SLSDC	151
RSPA	2,528
MARAD	2,779
OIG	1,510
FHWA	17,695
Others <u>1/</u>	30,428
REVENUE FROM BILLINGS	139,279
Employee Parking Fees	700
Coin Operated Copiers	43
TASC Fitness Center Fees	183
TOTAL REVENUE	140,205
 LESS: ACTUAL EXPENSES :	
Customer Service Revenue	1
Disability Plan Project	12
Drug Awareness/Testing	(5)
Alcohol Awareness	2
Drug and Alcohol Program	2,436
Departmental Program	720
Personnel Operations	1,772
DOT Connection - CSC	(1)
DOT Connection	806
Unemployment Compensation	1,019
Consolidated Federal Funds Report	60
Single Audit Clearinghouse	145
Federal Laboratory Consortium	22
Deferred Billing	(142)
WCIS	40
Telecommunications - Other	5,888

Transportation Administrative Service Center
Statement of Revenue and Expense
For Period Ended September 30, 1998
(Dollars in Thousands)

FTS	1,563
IDN	745
Voice Mail	409
Telecommunications - Moves/Changes	785
Voice Mail - NHTSA	116
Custom Routing Service	43
Telecommunications - Local Services	643
Telecommunications - Maintenance	771
Telecommunications - USCG	81
Telecommunications - Miscellaneous Expense	665
Telecommunications - Special Services	699
TCC Services	21,323
Year 2000 Service Bureau	2,020
Departmental E-Mail	882
Departmental Internet/Intranet	257
Local Area Network	1,281
Custom Services	187
PC Maintenance	36
Hardware/Software Supply	152
Telecommuting Services	16
Accounting Services	6
Health and Fitness - NASSIF	(18)
TASC Fitness Center	302
Motor Pool	665
Mail	1,690
Postage	2,787
Equipment Accounting Section	106
Transit Benefits	3,837
Parking Management	127
Transit Fare Media	(104)
Employee Parking Fees	700
Shuttle Bus	247
Warehouse	620
Building Management - NASSIF	2,971
Special Building Services	220
Building Delegation	2,996
OSHA	2
Satellite Copiers	566
Coin Operated Copiers	33
In-House Plant	1,954
Special Publications Distribution Services	24
Printing - Contracted	8,157
Contract Administration	698

**Transportation Administrative Service Center
Statement of Revenue and Expense
For Period Ended September 30, 1998
(Dollars in Thousands)**

Copy Centers - NASSIF	611
Copy Centers - FOB10A	300
Copy Centers - Transpoint	314
Photo - In House	298
Photo - Contracted	52
Initial Distribution	1,179
Subsequent Distribution	1,330
Library - NASSIF	1,722
Library - FOB10A	865
Library - Transpoint	254
Library - Technical Services	45
Special Library Services	25
Graphics - In House	748
Graphics - Contracted	134
Graphics	413
Procurement Operations	414
ITOP	2,120
ITOP - Non-DOT Contract	20,708
Procurement - Non-DOT	993
Contract Information System	60
Presentation Service	13
Multi Media Services	556
Sign Language Interpretation	204
Space Management	1,071
TASC Rent	1,885
Security & Investigations - OST	421
OST Transportation	93
Passports & Visas	129
Building Security - NASSIF	1,361
Building Security - FOB10A	1,097
Building Security - Transpoint	957
Other Security & Investigations	1,481
Personnel Security	257
Adjudicative Service	184
Computer Center Training	670
Training & Organizational Development	579
DAFIS Operations	6
DAFIS Production/Maintenance	6,255
DAFIS Evolution	3,287
DAFIS Services	226
Docket Management System Operation	1,902

**Transportation Administrative Service Center
Statement of Revenue and Expense
For Period Ended September 30, 1998
(Dollars in Thousands)**

Docket Management System	(2)
Procurement Streamline	81
IPPS Operations	5,588
Applications - Pool Services	2,097
Applications - Dedicated	2,578
Applications - Non-DOT	12
Technology Group	108
Docket Management Development	871
CPMIS	567
TOTAL EXPENSES	141,154
FY 1998 NET RESULTS FROM OPERATIONS	(949)
FY 1997 CUMULATIVE RESULTS	(2166)
CUMULATIVE RESULTS FROM OPERATIONS	(3,115)

1/ Represents the net of billings to Non-DOT customers.



**FEDERAL AVIATION ADMINISTRATION (FAA)
ADMINISTRATIVE SERVICE FRANCHISE FUND**

**BACKGROUND/
FUND ESTABLISHMENT**

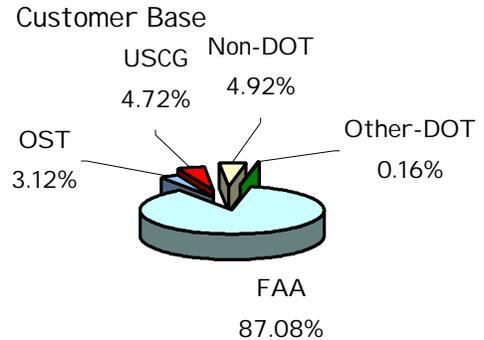
The franchise concept is designed to create competition within the public sector for the performance of a variety of support services. This allows for the establishment of an environment to maximize the use of internal resources through the consolidation and joint-use of like functions and to gain the efficiencies and economies of scale associated with the competitive offering of services to other Government agencies.

The Government Management Reform Act (GMRA) of 1994, Public Law 103-356, provided for the establishment of six franchise fund pilot programs. The six pilots were authorized by the President’s Chief Financial Officers (CFO) Council prior to submission of the FAA Franchise Fund proposal. However, the CFO Council’s Franchise Fund Working Group strongly endorsed the FAA proposal, and recommended submission to Congress as a franchise-like operation. This endorsement resulted in Congressional approval, and the Administrative Services Franchise Fund was established in FY 1997.

SERVICES

The Administrative Services Fund offers a wide variety of services. These include international training, accounting, payroll, travel, duplicating, multi media, information technology, and management training. In addition, new services are planned for subsequent years including logistics support in FY 2000.

The customer base for Franchise fund services includes DOT and non-DOT government agencies. The FY 1998 revenue percentages by customer is identified in the following pie chart



BENEFITS/ACCOMPLISHMENTS

Benefits from the franchise environment occur incrementally over time through efficiencies and economies of scale associated with development of partnerships and consolidation of like functions plus the addition of new customers. During the first two years of operation, activities within the Administrative Services Franchise Fund have identified a number of advantages, benefits, and results from participation in the fund. The general impacts/benefits are:

- A more business-like orientation.
- Customer driven decisions.
- Emphasis on the cost of doing business and the full recovery of costs.
- Reduction in the delivery price of some products/services.
- Flexibility of the revolving fund environment including reduction of year-end crunch.
- Use of retained earnings to build a base for equipment upgrades, improved services, etc.
- Renewed employee enthusiasm and the sense of challenge.
- Development and refinement of specific measurement processes.
- Identification of partnering/consolidation opportunities.
- Development of a set of operating principles for entrepreneurial activities.

Additional Supplemental Information

Specific accomplishments include:

- Centralized/consolidated the international training activities at the FAA Academy at no additional cost.
- Increased FAA influence on global aviation system and improvement of overall safety through advancement of the international training program.
- Absorption of a reduction in the printing budget allocation with no commensurate reduction in service level.
- Consolidation of two services (multi media and printing) into one division with a single manager (instead of two) resulting in ability to shift resources to the working level.
- Purchase of equipment upgrades in printing and multi media to improve technology, increase capability, and replace worn-out units through use of the retained earnings provisions of the revolving fund. This resulted in improved service delivery and would not have been possible using the annual appropriation cycle alone.
- A cost avoidance of approximately \$2.8 million annually due to significantly lower prices than local quick print competitors (\$0.025 versus \$0.07 per impression).
- A proposed reduction in cost per impression from \$0.025 to \$0.023 (8 percent) in FY 1999 resulting from efficiencies gained through new

technology and economies of scale associated with new customers and increased product output.

- Projected savings of \$40,000 in FY 1999 maintenance costs through movement of mainframe printing to the printing and distribution team from another organization. Reduction of payroll technician personal compensation and benefit cost per payroll account by 17.5 percent over two years.
- Addition of a new customer for permanent change of station (PCS) processing and laid the groundwork for centralization of PCS processing within the agency.
- Negotiated an agreement with a new customer for collections processing.

FY 1998 FUND ACTIVITY

The fund provided services totaling \$21,667 thousand in FY 1998. The graphic below is a presentation of the distribution of customer reimbursement by service activity for FY 1998.

In addition, collections of 615K were made during FY 1998 for services to be performed in FY 1999. The breakdown of this 615K deferred revenue is: 274K deferred revenue collected by International and Management Training; 204K deferred revenue collected by Multimedia & Information Technology, and 137K deferred revenue collected by Financial Services. Additional fund information is presented in the FY 1998 FAA Annual Report.

FY 1998 Services Portfolio

