

Appendix III

Management Challenges

In order to meet the performance goals established for 2000, DOT must address and resolve the management challenges identified both externally and internally. The management challenges listed below are a consolidated list from Inspector General and GAO reports. In all cases DOT has formulated specific action plans to address these challenges and plans to make significant progress toward meeting them.

1. Aviation Safety

DOT needs to continually identify risks to air transportation safety and proactively reduce the major risks that can lead to accidents, fatalities, and associated economic costs. Major elements of the aviation safety issue include:

- Reduce the number of runway incursions -- a major risk factor at airports.

The FAA Airport Surface Operations Safety Action Plan sets goals for preventing runway incursions. These goals include providing additional training for controllers, developing procedural initiatives to prevent incursions, using more sophisticated statistical and trend analysis, and full implementation of new technologies such as the Airport Movement Area Safety System (AMASS) in FY 2000. FAA's performance goal for runway incursions can be found on page 18 of this plan.

- Effectively implement FAA's new inspection process, improving the accuracy of safety databases, and enhancing the quality of inspector training.

The Air Transportation Oversight System (ATOS) will be implemented for large air carriers by the end of FY 1999, and expanded to all air carriers by the end of FY 2000. ATOS is a new system approach to safety oversight of air transport operations. It establishes policies ensuring compliance during and after certification; it incorporates a team approach to certification and surveillance programs; and it targets resources based on factors such as: operator experience, statistical analysis of safety trends, and company growth.

- Establish management systems that assure safety risks are called to the attention of top FAA management and promptly acted upon.

The FAA will complete development of new techniques to support the system safety approach to oversight in partnership with Sandia National Laboratories and other research organizations. These organizations, the Flight Standards Analysis Information Center (FSAIC), and the Air Transportation Oversight System (ATOS) program office will design and refine a set of work tasks, analytical methods, and information sources to effectively guide certification efforts and target surveillance needs. The FSAIC will also develop methods for monitoring operators, agencies, and other segments of the industry to identify

risk factors and risk prone organizations and operations. Included will be a suite of management decision making tools and reports. FAA will implement the new techniques by the end of calendar year 1999.

- Evaluate the safety implications of U.S. code share agreements and international alliances that involve foreign air carriers.

DOT continues to work on these issues with the Department of Defense, GAO, OIG and certificated air carriers. The Department is working to bring lesser developed countries up to the International Civil Aviation Organization (ICAO) standards, and as part of its "Safer Skies Over Africa" initiative, plans to quadruple by FY 2000 the number of sub-Saharan African nations that meet ICAO standards, based on FAA assessments.

- Provide consistent information and adequate training for users of weather information.

FAA published the National Aviation Weather Implementation Plan in January 1999. It contains plans for upgrading training for users of weather information.

- Resolve data protection issues to allow use of recorded flight data to prevent accidents.

The Notice of Proposed Rulemaking is now in coordination, and FAA expects to publish it by the summer of 1999. The proposed regulation would protect airlines and crewmembers from enforcement actions, except for overt violations, to allow data from flight data recorders to be used for improving safety practices and preventing accidents.

2. Surface Transportation Safety

Highway fatalities, other than those involving trucks, claim more than 35,000 lives annually. Truck accidents claim more than 5,000 lives annually. Rail and transit account for an additional 850 lost lives. Though the fatality rates have been declining, they must be reduced further. Major surface transportation safety issues that DOT must address include:

- Improve DOT's motor carrier safety program for vehicle maintenance, driver qualifications, and compliance with hours of service requirements.

FHWA will make further progress toward nation-wide implementation of the Performance and Registration Systems Management (PRISM) program in FY 2000. Several additional states will begin participation in the PRISM program during every fiscal year through 2002. Approximately 20 states will be PRISM participants by the end of FY 2000. PRISM will use safety data to identify carriers that are prone to accident involvement and FHWA will encourage them to improve their safety performance through the application of warnings and sanctions. The monitoring activities and enforcement actions based on the data in PRISM are focused on unsafe carriers. FHWA's performance goals for motor carrier safety can be found on page 15 of this plan.

- Increase the level of safety of commercial trucks and drivers entering the U.S. from Mexico.

In FY 2000, FHWA will increase inspection of trucks near the ports of entry and along the major corridors leading from the ports, and enhance the data exchange between the United States and Mexican Governments to increase the level of safety for trucks entering the U.S. from Mexico.

- Increase seat belt usage through primary enforcement of seat belt laws, education, and other strategies.

Through the Buckle Up America program, which will be funded at \$11.4 million in 2000 in the NHTSA budget, DOT will expand activities in four strategic areas: public information and education; outreach to targeted groups to increase the buckle up message; evaluation, training, and development of new buckle up programs; and preparation and distribution of buckle up materials. In addition, \$10 million in Occupant Protection Incentive grants in NHTSA will be made available to states that adopt and implement specific programs to increase seat belt use. The Department will also use the new Safety Incentive grants in the Federal-aid highway program, funded at \$92 million, to expand the states' seat belt programs. NHTSA's performance goals for seat belt use can be found on page 14 of this plan.

- Reduce grade crossing and rail trespasser accidents through enforcement, education, and technology.

FRA will continue its program to eliminate grade crossings. Publication of the final rule and environmental impact statement regarding train horns at crossings will occur in 2000. A five year marketing plan for a nationwide public education and awareness program, called Always Expect a Train, is currently being developed, and a new phase is planned to be initiated in FY 2000. FRA will continue data collection and analysis efforts for high profile crossings and low clearance vehicles and will begin to develop classifications and incompatibilities for crossing profiles versus vehicle clearances. An effort is being initiated in FY 1999 to develop standardized guidance for the installation of warning devices. In FY 2000 FRA and FHWA will promote use of these guidelines by state and community planners. FRA will develop and disseminate demographic data to assist in focusing trespass prevention programs. In 1999, FRA will work with NHTSA to ensure that NHTSA's Safe Communities Programs have trespass prevention modules. FRA's goal for rail trespasser safety can be found on pages 24 and 25 of this plan.

- Improve compliance with safety regulations by entities responsible for transporting hazardous materials.

Because the vast majority of hazardous materials transportation incidents are caused by human error, the Department will augment its programs to address this problem. RSPA will implement an intensive effort to reach the hazmat community through training and customer service. In FY 2000, the Department will increase staffing and develop new training materials to raise awareness and promote industry involvement in hazmat compliance. By the

last quarter of FY 2000, additional field and training staff will be working directly with the hazmat industry. DOT's performance goal for hazardous materials safety can be found on page 28 of this plan.

- Enhance the effectiveness of the Federal Railroad Administration's Safety Assurance Compliance Program and use enforcement actions when voluntary and collaborative initiatives with a railroad do not promptly achieve the desired results.

FRA will evaluate the effectiveness of the Safety Assurance and Compliance Program (SACP) in both FY 1999 and FY 2000 to determine what changes are necessary to realize the expected safety improvements. FRA will increase the use of enforcement and compliance actions when voluntary and collaborative initiatives with a railroad do not promptly achieve the desired results. FRA's performance goals for rail safety can be found on page 23 of this plan.

3. Year 2000 Computer Issues

DOT has made a great deal of progress addressing its Year 2000 (Y2K) computer problems. DOT agencies are also making substantial efforts in their outreach to the transportation industry to increase awareness of Y2K issues. As of October 13, 1998, DOT has repaired 281 of its 295 mission-critical systems that had Y2K problems; however, the risk of system failure remains until these repaired systems are adequately tested. DOT needs to continue with a sense of urgency, especially in FAA and the Coast Guard. Major issues that DOT must still address are:

- Complete Y2K work on all mission-critical computer systems by March 31, 1999.

FAA has completed the renovation of all its systems and is on schedule to certify all systems year 2000 compliant by June 30, 1999. Although the FAA's date for certification is later than the OMB goal, the FAA is committed to accelerating its schedule forward as aggressively as possible without risking adverse impacts on safety or efficiency. Coast Guard is currently replacing all of its personal computers and the new system will be year 2000 compliant. All other DOT mission critical information systems will be repaired by March 31, 1999. Testing and implementation is being accelerated to meet the target completion date of March 31 for as many systems as possible.

- Test all repaired systems to ensure they properly function as a unit, and together as a system.

FAA will do integrated systems testing at the FAA Technical Center and selected operational sites to ensure that all year 2000 issues have been resolved no later than June 1999.

All DOT administrations will be required to test their computer systems both internally and externally to ensure that internal year 2000 problems have been resolved and that interfaces with outside organizations work correctly by June 1999.

- Obtaining assurances that the transportation industry will be Y2K compliant and resolving issues with data exchanges, international coordination, reliance on the telecommunications infrastructure, and business continuity planning as they affect aviation operations.

An Outreach Action Team (OAT) composed of representatives from all the DOT operating administrations coordinates activities and communication related to year 2000 problems and industry readiness. Plans are to share information among the DOT administrations, develop initiatives for continuity of commerce and contingency planning, conduct outreach meetings, and address legal issues associated with year 2000 problems during 1999.

DOT is participating in comprehensive industry surveys conducted by industry associations to determine the status of the industry efforts to repair year 2000 problems and to determine potential areas where contingency planning is necessary.

- Assure DOT computers properly interface with those of other Government agencies, network service providers, and the transportation industry; and develop contingency plans that can be used if critical systems fail to operate after December 31, 1999.

All operating administrations are required to test their interfaces with state and local governments and other interface partners (such as airlines for FAA) to ensure that year 2000 problems have been resolved by June 1999.

FAA and Coast Guard are developing Business Continuity and Contingency Plans for the year 2000 and will update them during 1999. FAA, Coast Guard and all DOT administrations will be testing these backup plans during 1999 to ensure that system operation can be sustained if there are residual year 2000 problems with industry.

4. Air Traffic Control Modernization

FAA's multi-billion dollar air traffic control (ATC) modernization effort remains a major challenge. Cost overruns, schedule delays, and shortfalls in performance of the past should not be repeated and new systems must come in approximately on time and on budget and meet the requirements of a dynamic and growing aviation system. Key elements of this management issue include:

- Reassess and re-baseline plans for transitioning to satellite communications, navigation, and surveillance, including Free Flight. This issue includes determining whether the Global Positioning System (GPS) and the Wide Area Augmentation System (WAAS) will be the sole means of navigation or if secondary systems will be needed.

FAA has prepared a new schedule baseline for the satellite navigation programs. A navigation signal will be broadcast in mid 1999 on the current leased Inmarsat communication satellites. The study of the vulnerabilities of GPS and planned augmentations with an assessment of potential back up navigation systems will be completed in FY 1999. The NAS Systems Architecture is under development to address the overall configuration of communication, navigation and surveillance systems for the air traffic control system.

- Incorporating human factors in the design and development of new ATC systems and avoiding the problems experienced with new systems such as the Standard Terminal Automation Replacement System (STARS).

The FAA requires that the planning, analysis, development and implementation for all programs include human factors engineering to ensure performance requirements are consistent with human capabilities and limitations. Programs will integrate human factors issues into the development of specifications and other acquisition activities to ensure that human factors issues are resolved well in advance of system deployment.

- Strengthen DOT's capacity to oversee multi-billion dollar software intensive development contracts. Additional oversight and analysis should minimize what has historically been an area of unacceptable cost growth and schedule delays.

FAA will upgrade its internal ability to manage software development. As part of this effort, the FAA is using the FAA Integrated Capability Maturity Model to improve FAA processes. This model integrates the software, software acquisition, and systems engineering capability maturity models and is consistent with the Capability Maturity Model integration guidelines of the Software Engineering Institute. The goal is to reach level 3 for processes using this model by December 2001. This will include selected software intensive programs. The software capability of potential contractors will be a factor in evaluating contract proposals.

5. Financing The Federal Aviation Administration And Air Traffic Control

Financing FAA activities and the air traffic control system is a major issue that the Department, the Congress, and the aviation community need to address. For example, the operations account, which pays for air traffic controllers, will need an additional \$1 billion over the next 5 years. Substantial funding also will be needed for the facilities and equipment account, which pays for air traffic control modernization. Key issues associated with FAA financing include:

- Establish the adequacy of trust fund receipts to finance FAA and determining what portions of FAA's operations, air traffic control modernization, and airport infrastructure, should be covered by the trust fund.

FAA has established working groups to determine future financial needs and forecast trust funds revenues to determine whether the trust fund receipts are adequate for future planned expenditures. FAA will use the system architecture, currently under development, to determine future capital investment costs. A legislative proposal for FAA reauthorization will be submitted with the FY 2000 budget requesting the implementation of cost based user fees for air traffic services. Aviation excise taxes will be proposed to be reduced as necessary to ensure that the amount collected each year from the new user fees and excise taxes together is equal to the total budget resources requested for the FAA in each succeeding year.

- Determine the portion of FAA's operations and airport infrastructure that should be covered by the General Fund and passenger facility charges, respectively.

A legislative proposal for FAA reauthorization will be submitted with the FY 2000 budget requesting no General Fund support of FAA, and an increase in passenger facility charges from \$3 to \$5.

- Develop an auditable cost accounting system on which “user fees” could be based and taking the steps necessary to provide data sufficiently accurate for an unqualified opinion on FAA’s financial statements. FAA cannot implement a credible and reliable cost accounting system until it first ensures its financial systems accurately reflect its financial condition.

FAA will restructure the cost accounting initiative to improve overall program and project management and plans to have its cost accounting system operational in FY 1999. FAA also will be improving the accuracy of its accounting data to accurately reflect inventory of spare parts and value of property controlled. In FY 1999, FAA plans to complete all work, so it can receive an unqualified opinion. A financial system, that has received an unqualified opinion, will have the credibility and reliability of cost information necessary for an accurate statement of costs in support of user fees.

- Address the need for continued funding for airports to ensure adequate capacity for the national airport system.

FAA will collect data in support of the National Plan of Integrated Airport Systems to provide the basis for future projections of financial needs for airport development. An increase in the passenger facility charge from \$3 to \$5 will be proposed in order to ensure adequate airport capacity.

6. Infrastructure Needs

The Transportation Equity Act for the 21st Century (TEA-21) guarantees \$198 billion over a 6-year period to improve safety and maintain and improve America's highways, bridges, and mass transit systems. These funds, as well as Airport Improvement Funds, must be effectively and efficiently used. Key elements of this management challenge include:

- Ensure the development of sound financial plans for high-cost transportation infrastructure projects.

Sound financial plans are required for high-cost transportation infrastructure projects, especially those over \$1 billion in value. DOT Operating Administrations are focusing a great deal of management attention on their large-dollar projects, both in headquarters and in the field. For example, FHWA's Massachusetts Division Office dedicates about half its total workforce to oversight and stewardship of the Central Artery/Tunnel project, and holds formal management briefings with headquarters quarterly. In addition, as recommended by the GAO and OIG, "lessons learned" for areas such as cost savings, management, and technology are being shared with others. For example, research done on Central Artery/Tunnel ventilation and fireproofing has not only saved money for this project, but has also saved millions of dollars on other tunnel projects around the country. Last, a Major Project Tracking System has been instituted to keep senior staff apprised of the current status of 10-15 large projects.

Project status reports, generally limited to one page of key information, are updated on a bimonthly basis.

- Promote the use of cost-saving techniques such as value engineering, design-build procurements, and owner-controlled insurance programs.

To promote the use of cost saving techniques such as value engineering, design-build procurements, and owner controlled insurance programs, FHWA will issue proposed regulations implementing Design Build procedures for large Federal-aid projects and significant ITS projects. TEA-21 requires that the final regulation be issued by June 9, 2001.

- Select high value projects for discretionary grants.

FHWA will publish new criteria to be used for the selection of projects for discretionary grants, and FHWA will provide quarterly reports to Congress on how the projects were selected based on the criteria required by Section 1311 of TEA-21. Under TEA-21, FTA will be implementing more comprehensive criteria for its New Starts discretionary program. Each project will require FTA approval before beginning preliminary engineering or final design, and FTA will assign an overall rating to projects in preliminary engineering, final design, and construction such as: highly recommended, recommended, or not recommended

- Eliminate the prohibited diversion of airport revenues by airport sponsors.

FAA will develop and implement an automated database to track the timely submission of airport annual financial reports. FAA will review the airport annual financial reports with particular emphasis on identifying instances of prohibited revenue diversion. FAA will follow up the review with appropriate investigation and enforcement action as necessary. These reviews will help identify airports with a high risk of revenue diversion for specific audit review and may be used to seek an opinion on prohibited revenue diversion as part of the Federal Single Audit Requirement. FAA will publish the final "Policy and Procedures Concerning the Use of Airport Revenue" in 1999.

- Strengthening prevention of fraud, waste, and abuse especially in view of the infusion of substantial additional Federal funds for infrastructure.

The automated process used by the state highway agencies to submit their claims for reimbursement is being modified. The modification will ensure the state highway agencies are not reimbursed more than the amount authorized for each project. FHWA is developing a course to emphasize to program managers their responsibility in the prevention of fraud, embezzlement and abuse of funds; they expect to begin to deliver this course during the summer of 1999. FHWA will continue to conduct annual on-site reviews and evaluations to ensure that adequate internal controls are in place and are effective in protecting the integrity of the Federal-aid Highway Program.

FTA will increase grantee compliance with financial management and procurement regulations by 5% in 1999 and 2000.

7. Transportation and Computer Security

Presidential Decision Directives 62 and 63 require DOT to advance the nation's vital security interest by ensuring that the transportation system is protected and that our computer systems are safe from intrusion. The ability to prevent terrorist attacks within this vast system, and fraudulent intrusions into computer systems must be strengthened. Key elements of these issues are:

- Reduce the vulnerabilities in airport security controls.

The Office of Civil Aviation Security will require security accountability for individuals working at airports, mandate self audits of security practices for airports and airlines, and expand the number of Airport Security Consortia partnerships to include all airports during FY 1999.

- Enhance the use of new technologies such as explosive detection equipment.

In 2000, the FAA will purchase and install about 50 additional explosive detection devices at airports for checked baggage screening. A total of 500 trace explosive detection devices will be deployed for screening carry on bags and other articles. The FAA will also field test automated operator assisted x-ray equipment for detecting explosives in carry on bags.

- Improve compliance with shipping requirements related to hazardous materials and dangerous goods.

To prevent hazardous materials incidents, RSPA will implement an intensive effort to provide additional training and customer service to shippers and packagers of hazardous materials in FY 2000. RSPA will use additional field staff and new training materials to raise awareness of hazardous material issues and promote industry involvement in hazmat transportation compliance. By the last quarter of FY 2000, additional field and training staff will be working directly with the hazmat industry. FAA will begin inspecting more shippers of dangerous goods to prevent unlabeled and hazardous materials from being delivered to air carriers for transportation.

- Develop staff expertise and technical capabilities to detect intrusions to DOT and FAA computer networks and acting to reduce vulnerabilities.

FAA will develop and implement a comprehensive security program for information systems. This program will include an agency wide security policy, which will require information systems security measures to be applied to all FAA systems throughout their life. The program will include systems that are currently deployed and those that are under development as part of FAA's modernization program. Certification and accreditation of these systems will be required. FAA will also develop a computer emergency response plan and provide an increased level of security training for employees.

8. Financial Accounting Related To CFO Act

DOT has made significant progress in improving its financial accounting and reporting systems. Three major issues stand in the way of DOT receiving an unqualified opinion on its financial statements, the most challenging being the FAA property and equipment accounts totaling about \$12 billion. Major financial areas that need to be addressed are:

- Develop and implement a plan for FAA to account for and value its property and equipment, including its work-in-process.

FAA will develop and implement procedures to document historical costs so property and equipment can be correctly valued in the accounting records by the end of FY 1999. FAA will reduce its backlog of work in progress and develop a process to maintain currency of this account.

- Accumulate and report reliably the full cost of specific projects and activities through a cost accounting system or alternative means.

In FY 1999 the new FAA cost accounting system will capture financial information by project and activity for all FAA projects. The sources of information will be the core accounting system and payroll information system. As part of the integrity of the cost accounting system, business processes are being developed so that all financial information ties back to the core systems.

- Compute a reliable estimate of Coast Guard's future liability for military retirement pay and health care costs.

Coast Guard health care costs are increasing primarily due to improved billing for procedures performed on Coast Guard personnel at Department of Defense facilities and the medical rate of inflation that is increasing faster than overall inflation. The Coast Guard is aggressively working to control costs. For example, the Coast Guard is not allowing new enrollments in the most expensive health plans where other options are available. The Coast Guard is also closely working with the Department of Defense and the TRICARE Management Authority to better predict costs.

- Ensure that the Treasury Department develops adequate support for trust fund revenues and account balances totaling \$28 billion.

FHWA and FAA will continue working with the IG and Treasury Department to develop a better methodology to determine quarterly estimates of trust fund revenues and ensure that Trust Fund balances are accurate.

- Meaningfully relate costs from the cost accounting system to performance measures.

FAA's cost accounting system is designed to provide cost information that will be used in concert with FAA operational data to develop, report on, and monitor key performance measures for the agency in FY 1999.

- Obtain an unqualified audit opinion on the FY 2000 DOT financial statements.

DOT is addressing accounting and reporting issues necessary to receive an unqualified audit opinion including (1) employing a specialized contractor to develop an acceptable actuarial model for estimating the future liability of USCG post-retirement military health and benefit costs and adjusting the general ledger based on use of that model; (2) properly documenting and recording the valuation of primarily FAA and Coast Guard property by (a) implementing in FY 1999 acceptable methods for documenting historical costs for personal and real property; (b) also in FY 1999, recording the general ledger property commissioned (placed in service) between FY 1995 and FY 1998; and (c) implementing by the end of 1999 process improvements that revise property policy and procedures affecting future property and inventory transactions; and (3) instituting in 1999 systems that link DOT program cost to performance goals and measures.

9. Amtrak Financial Viability/Modernization

Amtrak needs to continue to seek opportunities to increase revenues and contain costs as it strives to fulfill its Congressional mandate of achieving operating self-sufficiency by the end of FY 2002. Amtrak's FY 1998 Strategic Business Plan established a 5-year plan to reach this goal. The plan indicates that Amtrak will have a cash loss in FY 2003, but Amtrak does not anticipate needing Federal operating funds to cover it.

The IG issued a report on the congressionally mandated Independent Assessment of Amtrak's Financial Requirements through FY 2002 on November 23, 1998. A projected cash loss of \$0.8 billion more than Amtrak estimated was identified, if the Strategic Business Plan were followed, with no adjustments, through FY 2003. Amtrak's capital requirements after FY 2000 exceed projected available capital resources. Additional cash losses, as projected in the Independent Assessment, would further constrain Amtrak's already-limited ability to address significant system-wide capital needs and would likely be beyond Amtrak's ability to finance without Federal assistance. To eliminate the need for Federal operating funds, Amtrak will have to continuously review, amend, and implement programs and practices to improve its revenue and reduce its operating costs.

As a member of the Amtrak Board, DOT will work to ensure that Amtrak continuously reviews amends and implements programs and practices to improve its revenue and reduce its operating costs. Key projects necessary to enhance revenue and performance, such as the Northeast Corridor electrification and high speed trainsets, will be closely monitored in 1999. Through its Board membership, DOT will work to ensure that Amtrak acts in a timely manner to ensure that the financial impacts of any cost increases or revenue shortfalls identified in 1999 are minimized.

10. DOT Implementation Of GPRA

The Department of Transportation's strategic and performance plans were rated by Congress as the very best in the Federal Government. Yet, the difficult tasks of accurately assessing performance against the established outcome measures and modifying programs as needed to achieve the intended results remains to be accomplished. These matters require a sense of urgency since the first performance report to Congress is due on March 31, 2000.

DOT has incorporated all of its FY 1999 performance goals into performance agreements between modal administrators and the Secretary. Through regular, monthly meetings with the Deputy Secretary, Administrators will report progress toward meeting these goals and adjustments in program delivery that may be undertaken throughout the course of the year.

In many cases, individual modal performance plans include leading indicators that are associated with the goals in the DOT performance plan. These indicators will be used to help assess the results of DOT programs and provide a basis for redirecting them.

DOT will dry-run its annual performance report one year ahead of schedule, using 1998 data, to identify and remedy gaps in the availability and quality of our data, as well as gaps in our ability to disaggregate performance measures into their component parts and to draw statistically sound conclusions from time series data. This test will provide almost a year to resolve shortcomings that may be found.

11. FAA And Coast Guard Acquisition Management

Major Acquisition programs at the Federal Aviation Administration and the U.S. Coast Guard have experienced significant problems that require management attention. Over the past 17 years, FAA's multibillion-dollar air traffic control modernization program has experienced cost overruns, schedule delays, and performance shortfalls of large proportions. The Congress has appropriated over \$25 billion for the program through fiscal year 1998 and FAA estimates that the program will need and additional \$17 billion for fiscal years 1999 through 2004. Because of its size, complexity, cost and problematic past, since 1995, GAO has designated this program as a high-risk information technology initiative. Among other things, FAA needs to adopt disciplined acquisition processes and change its organizational culture so that employees become strongly committed to mission focus, accountability, coordination and adaptability. FAA also needs to complete its air traffic control system architecture.

Coast Guard is planning the largest acquisition project in its history, a 20 year project to replace or modernize many of its ships and aircraft. GAO found that the Coast Guard needs to more thoroughly address the project's justification and affordability. The remaining useful life of its ships may be much longer than the agency originally estimated. GAO recommends that Coast Guard take a number of steps to improve its planning process, such as revising its acquisition guidelines so future projects are based on accurate and complete data.

FAA is using the Acquisition Management System to improve the speed and quality of FAA acquisitions. FAA will increase the use of program specific measurements and implement Earned Value Measurement for new programs and software intensive programs. Action to remedy poor performance can more readily be taken with the information contained in earned value reports.

The FAA has launched a pilot compensation program within the Office of the Associate Administrator for Acquisition and Research. This is part of FAA's effort to change its organizational culture to become a more effective performance based organization. Under the pilot program, employee performance, as measured both for an individual and that person's product team or other organizational group will be directly linked to employee pay.

Coast Guard will ensure that updated information regarding the condition of current ships, aircraft, and other assets are provided to the contractor teams analyzing future overall asset requirements. Coast Guard is revising its acquisition guidelines to ensure that future projects are based on accurate and complete data on the condition of current assets. Coast Guard will perform a detailed evaluation of the competing proposals and will consider affordability issues and project justification as part of that evaluation.

12. Airline Competition

Although airline deregulation is generally considered to be a success, contributing to better service and lower fares for most travelers, not all communities have benefited from it. In a number of small and medium sized communities, lack of aviation competition contributes to high fares and poor service. Operating barriers – such as long-term, exclusive-use gate leases and “slot” controls that limit the number of takeoffs and landings at certain congested airports – contribute to fare and service problems by deterring new entrant airlines while fortifying established airlines' dominance at key airports. Recently proposed alliances between the nation's six largest airlines have raised additional concerns about competition. While DOT has attempted to address problems with competition by such efforts as granting a limited number of additional slots at two airports, additional actions, some of which are controversial, may be needed by the Congress, DOT and the private sector.

DOT is developing a number of pro-competitive and air-service-improving legislative initiatives for effectiveness in the FY 2000 time frame, which will be submitted to Congress as part of the FAA reauthorization legislative proposal.

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