



Highlights of [GAO-05-724](#), a report to congressional requesters

AIR TRAFFIC OPERATIONS

The Federal Aviation Administration Needs to Address Major Air Traffic Operating Cost Control Challenges

Why GAO Did This Study

Dating back to 1997, numerous reports have highlighted the need for the Federal Aviation Administration (FAA) to better control the growth in its Air Traffic Services operating costs, which account for about \$6.5 billion or over 80 percent of FAA's total annual operating costs. In February 2004, FAA established the Air Traffic Organization (ATO) to take over its entire Air Traffic operations and established cost control as a major focus. GAO was asked to determine: (1) What is ATO's financial outlook for its operations? (2) To what extent is ATO taking actions to control its operating costs? (3) What are some options ATO should consider in developing its cost control strategy?

What GAO Recommends

GAO recommends that the FAA and ATO develop a cost control and savings strategy based on rigorous cost benefit analyses. Such analyses should determine the optimal structure for providing ATO services to different user groups while ensuring against adverse impacts on safety. Results of these analyses should be documented in a publicly available business plan that the ATO and its key stakeholders can use to build a sound business case for making the difficult but unavoidable structural changes needed to streamline its operations. FAA and ATO officials agreed to consider our recommendation and said they are currently preparing such analyses.

www.gao.gov/cgi-bin/getrpt?GAO-05-724.

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

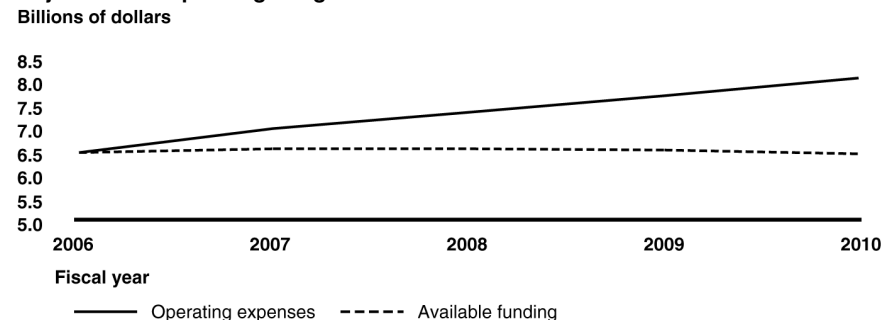
What GAO Found

Unless revenue projections improve significantly or ATO implements significant cost reduction and control measures, the projected financial outlook for its operations is bleak. Air Traffic Services operating expenses experienced real growth of \$1.8 billion (43 percent) between fiscal years 1996 and 2004, and ATO expects its operating expenses to significantly outpace available funding through fiscal year 2010. As a result, it projects a cumulative operating budget deficit of nearly \$4 billion. Further, the historical growth in operating expenses has contributed to an increasing reliance on the Airport and Airways Trust Fund to cover operating costs, and the Trust Fund's balance is expected to fall to \$1.2 billion by the end of fiscal year 2006.

FAA and ATO are currently implementing cost control and savings initiatives that address about 12 percent of ATO's projected 5-year, \$4 billion operating budget shortfall. These initiatives range from instituting sound business practices, such as improved budgeting and cost management, to structural changes, such as contracting out operation of part of the air traffic control system. ATO has been working on a 5-year business outlook to identify alternatives for closing the funding shortfall, but the plan has been delayed and its issuance date is uncertain.

In order to enhance its current cost control efforts, ATO will need to consider long-standing, cost-saving recommendations including consolidating facilities for greater efficiencies, replacing outdated costly equipment, and investing in new technology to enhance workforce productivity. However, implementing these options will be challenging because doing so will require that ATO produce a sound business case for its actions, backed by organizational and political support for actions needed to control costs. Furthermore, ATO needs to balance its financial objectives against another goal—implementing new automation concepts in air traffic control in order to keep up with substantial traffic growth over the next 20 years.

Projected ATO Operating Budget Shortfall FYs 2006-2010



Source: ATO.