



Air Traffic Organization Implementation Strategy August 2004

Working Document – August 2004 version 1.3

Introduction

The document was prepared by the Air Traffic Organization's (ATO) transition team to provide initial, high-level information about the establishment, phases, and schedules for the implementation of the ATO.

This document will be archived on the *ATO Online* (<http://ato.faa.gov>) and periodically updated as the implementation of the ATO continues. Additional information about the status of the ATO will be provided through meetings, broadcast messages, flyers, and the web site.

Why is there an Urgent Need to Change?

Charting the Next Century of Flight

The challenges facing aviation require nothing less than transforming the system. Today, securing safe air travel, navigating industry uncertainties, and managing new technologies require that we embrace change as never before.

While we have made great strides in improving safety, enhancing security, and increasing efficiency, we must persist in our efforts to build an aviation system for the next century of flight. As the aviation community adjusts to changes in demand and economic conditions, so the Federal Aviation Administration (FAA) must make mid-course corrections to address new realities.

Several factors affect our ability to meet our ambitious goals of the future, some of which are outside the control of the FAA. These factors include:

- **Economic State of the Industry**
 - The financial difficulties facing the airlines and manufacturers also impact FAA, which is primarily funded by the Airport and Airway Trust Fund (AATF) from excise taxes and interest. As long as the demand for air travel is down, so are revenues available to FAA from the AATF.
- **Fiscal Priorities of the Nation**
 - Large capital investments in facilities, infrastructure, and agency human capital needs will depend largely on our ability to closely link budget to performance and, also, in part on the ability and willingness of Congress to fund such operations and responsibilities.

Why did the FAA create a new Air Traffic Organization?

The Federal Aviation Administration was enabled by the Congress and directed by Presidential Executive Order 13180 in December 2000 to create and implement a Performance Based Organization (PBO) to be known as the Air Traffic Organization. The

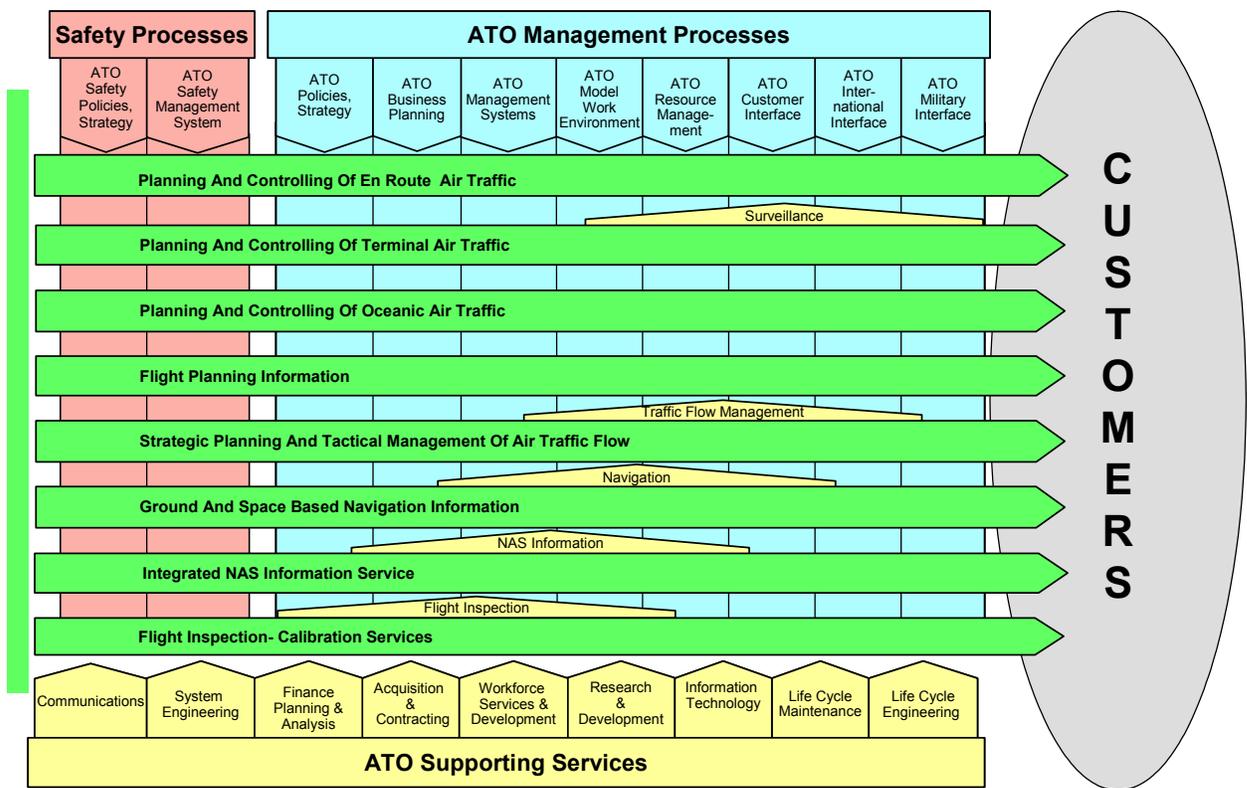
FAA began designing the ATO in 2001. After an interruption of about a year because of 9/11, the design was completed and implementation began in 2003.

With the establishment of the ATO, the FAA has inherently strong incentives and challenges to manage for service results. The ATO will provide airspace services that are valued by our customers, implement advanced cost and performance tools and techniques, and focus on employee performance and accountability.

What is the Structure of the ATO?

The ATO is designed to operate as a matrixed organization. As such, decision making and support will be institutionalized through horizontal integration. Horizontal integration breaks down organizational “stove piping” and optimizes workflow across service unit boundaries through sharing expertise. Such a matrix of collaboration between personnel assigned similar roles in different service units --- all striving to accomplish the same goal --- will require a challenging shift in work culture. The ATO can no longer afford to keep the individual organization approach; it needs to start making this shift now.

ATO Matrix Chart



The matrix chart above shows the services the ATO provides to its customers on the horizontal lines. The vertical lines going down are the safety and management processes necessary to provide the services. The vertical lines from the bottom are supporting services used to provide the services. The small arrows on the horizontal lines are internal services provided to internal ATO customers. They provide service to the horizontal service lines above them.

What will be the focus of the ATO?

The ATO will focus on providing the greatest value to our customers, owners and employees while delivering the safest, most secure air traffic services. The number of management layers between the ATO executives and the employees who have direct contact with our customers everyday is being reduced. In flattening the organization, our employees will be closer to the executives in the ATO headquarters organization where priorities are set and decisions are made. The ATO will streamline decision-making by institutionalizing better two-way communication at all levels.

What is the Implementation Strategy for the ATO?

The ATO implementation strategy is a three-phase approach that will be completed during fiscal years (FY) 2004, 2005, and 2006. Planning, communicating, and implementing refinements when necessary will be crucial to the success of all three phases of the process. Communication, a key ingredient to the ATO's success, will be ongoing throughout the ATO with all employees and their unions, with our customers, and our owners.

Three-Phase Approach

Phase	Fiscal Year	Focus
1	2004	<ul style="list-style-type: none">• Create the Air Traffic Organization• Provide improved service delivery to our customers
2	2005	<ul style="list-style-type: none">• Allocate more resources to highly valued services• Control costs
3	2006	<ul style="list-style-type: none">• Build on the improvements gained during Phases 1 and 2• Continue to improve services and value

Throughout all three phases, the ATO will continue to make *safety* its first priority. At all levels, the ATO will continue to stress risk management as a fundamental component of airspace services.

Safety Management System

Formal implementation of the Safety Management System (SMS) within the ATO has begun. The ATO Safety service unit will work directly with the FAA Safety Oversight Office to provide safety metrics and the steps being taken to improve them; to define safety critical systems, procedures, and processes; to define the number of safety significant changes made during certain time periods and provide the process used to show that safety was assured.

The ATO Safety Service has started a several year effort to provide SMS training to all ATO executives, managers and employees responsible for the ongoing safety of the NAS. ATO employees responsible for making safety significant changes to the NAS (hardware/software, procedures, airspace, etc.) will be trained on Safety Risk Management (SRM) techniques required as part of SMS and use these techniques to prove that all identified safety risks have been mitigated prior to implementation of the change.

The FAA’s SMS model is consistent with international models used by air traffic service providers in Canada, Australia, Great Britain, Germany, and many other parts of the world. SMS gives us a safety risk assessment and management process that is both formalized and auditable. It builds upon a solid framework of safety assurance and safety promotion to support maintaining and improving FAA’s strong ATC safety record.

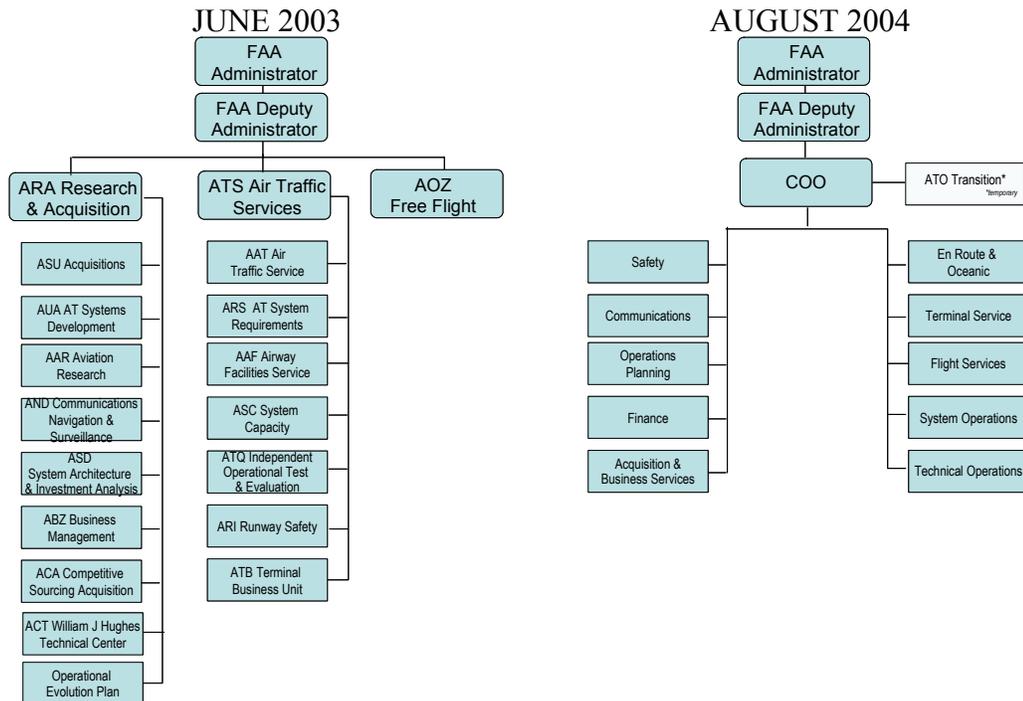
What other major actions will occur during Phase 1?

There are six critical pieces in the ATO transition plan that --- although they are separate actions --- must all fit together in this first phase:

1. Reorganize around a service model
2. Change our leadership model
3. Become performance based
4. Analyze headquarters operations; baseline our performance
5. Plan for the future
6. Execute our plan

Our transition plan to a performance-based organization should reflect how the different pieces integrate together:

1. **Reorganize around a service model.** Our first step to establish a customer-based organization was to start reorganizing ourselves around a service model rather than being a typical government entity organized around what we do. It’s a “back to the basics” approach that starts with clearly defining who our customers are and the services and products they want and need from us. During FY04, realigning the services previously provided by the offices of air traffic services (ATS), research and acquisitions (ARA), and Free Flight (AOZ) formed the ATO, comprised of just ten service units.



2. **Change our leadership model.** At the same time, we started to change our leadership model --- a long term effort to breakdown our traditional stovepipe culture into a matrixed one (see chart on page 2). In any complex operation, working well across service unit boundaries, no matter how hard, is absolutely essential to achieving success and efficiency. An ATO Executive Council has been established to manage corporately with a unified perspective. Vice presidents are charged not only to lead their own service-based business units, but also to make decisions *together* for the benefit of the entire organization. Under the leadership of Chief Operating Officer Russ Chew, this executive council includes the ten service unit vice presidents shown below as well as Senior Vice President Peter Challan, Jim Link and Shirley Miller of the ATO Transition Team.



James P. Schear Vice President Safety	Sandra Sanchez Vice President Communications	Steven J. Brown Vice President Operations Planning	Eugene D. Juba Sr. Vice President Finance	Dennis DeGaetano Sr. Vice President Acquisition & Business Services
--	---	---	--	--



Rick Day Acting Vice President En Route & Oceanic	D. Bruce Johnson Vice President Terminal	James Washington Vice President Flight Services	Linda Schuessler Vice President System Operations	Steve Zaidman Vice President Technical Operations
--	---	--	--	--

In July, Mr. Chew appointed Charlie Keegan, who had been serving as the vice president of the En Route/Oceanic service unit, to spearhead the Joint Planning and Development Office (JPDO), a partnership with the FAA, the Department of Transportation, NASA, the Departments of Defense, Homeland Security, and Commerce, and the White House Office of Science and Technology Policy. Mr. Chew then appointed Rick Day to serve as acting vice president of the En Route and Oceanic service unit.

3. **Become performance-based.** We had to create “value-based” performance metrics to become a performance based entity --- defining our performance in terms of customer needs, and connecting that with cost as a core part of its definition. Good financial management means linking our capital and operating budgets. Up to now, the FAA developed capital and operating budgets separately as “F&E and Ops.” But, how we spend our capital funds has a direct impact over time on our operating costs, so they *must* be planned together. We are under extreme pressures from our owners and customers to fix this. What is less understood is that it is even more important to our own people, who

want to fix things like training, staffing, pay disparities, and our infrastructure. It will be at least two years before we have the basic management processes in place to use the new financial management systems we're putting in place. In the meantime, we're going to expect everyone to learn the difference between cost and cash flow, and to get a better handle on our unit costs as better cost accounting data becomes available. The ATO will become more fiscally responsible and manage the organization more like a business.

4. **Analyze headquarters operations; baseline our performance.** To help us “baseline” our starting point, we needed to figure out what we do at headquarters to support our people who directly deliver the service to the customer in the field. Our *Activity Value Analysis* was directed at better understanding the “overhead” we have in support of our operation, so we could start taking steps to make it more efficient and effective. The data has already been valuable to refining our organizational realignment (step 1) and its analysis will help us to know where to look further.
5. **Plan for the future:** Of course, these first four steps only give us the basic foundation for making changes. To figure out what we need to do as an ATO, we also have to plan ahead. We are developing an ATO comprehensive business plan that focuses on 2005 with a moving five-year horizon, with very detailed operating and financial plans that support it. A *business* plan is not a “project” plan (i.e., OEP, Free Flight, etc.), but a comprehensive plan that ties together all of our operating, capital, financial, and workforce plans in great detail. In the future, this business plan will be the basis for all of our planning, spending, and performance targets.
6. **Execute our plan.** Some have heard that your vice presidents have been creating a unified “balanced scorecard.” We call this our strategic management process; it directly links our customer, owner, and employee goals to value-based performance targets -- all the way from headquarters to the field where we deliver our services. While our long term goal is to engage all field facilities in this, we do expect to drive this down to the service area level, with one or more large facilities by the end of 2004.

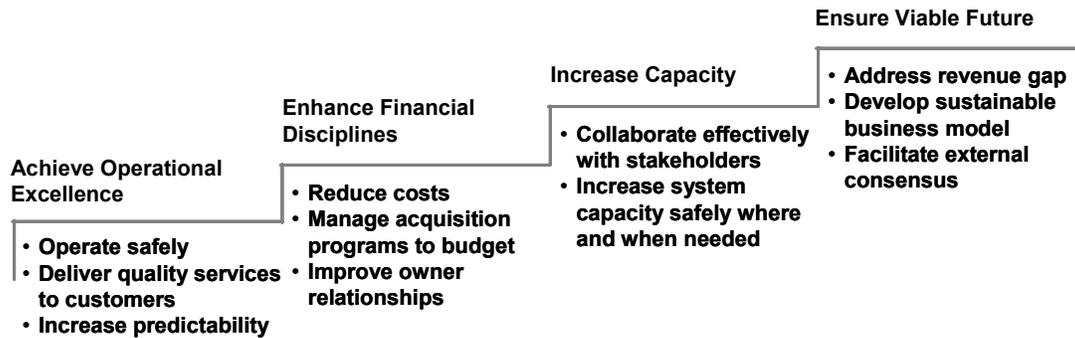
The changes in the industry and in government do not allow us to simply hope this will “blow over.” Now we must all work together to improve our level of service, reduce our costs, and satisfy the needs of our customers and our owners.

ATO Strategic Management Process



The Executive Council (EC) is changing how it manages the implementation of ATO’s strategy and we call this new approach the Strategic Management Process. The EC started in the spring and early summer by identifying a clear set of strategic objectives in the form of a “strategy map” (linked to the FAA Flight Plan) to guide all ATO organizations and individuals. As indicated in bullet #2 in the illustration above, those objectives clearly articulate direction, and a measure for each objective will help the EC monitor progress. Based on strategic priorities, initiatives will be aligned to the ATO’s strategy Map. Initiatives and programs that drive improvement in critical strategic performance areas will be resourced, and those less critical will be scaled back. The ATO strategy map and priorities will be shared with each of ATO’s 10 service units (bullet #3 above), and each Service unit will develop its own strategy map and objectives to implement ATO strategy and focus on work that matters the most for reaching ATO’s goals.

4 Pathways of ATO's Strategy



ATO will work on all four pathways simultaneously, but will expect results in differing timeframes

ATO's strategy map begins with a high-level set of "pathways" that define overall direction.

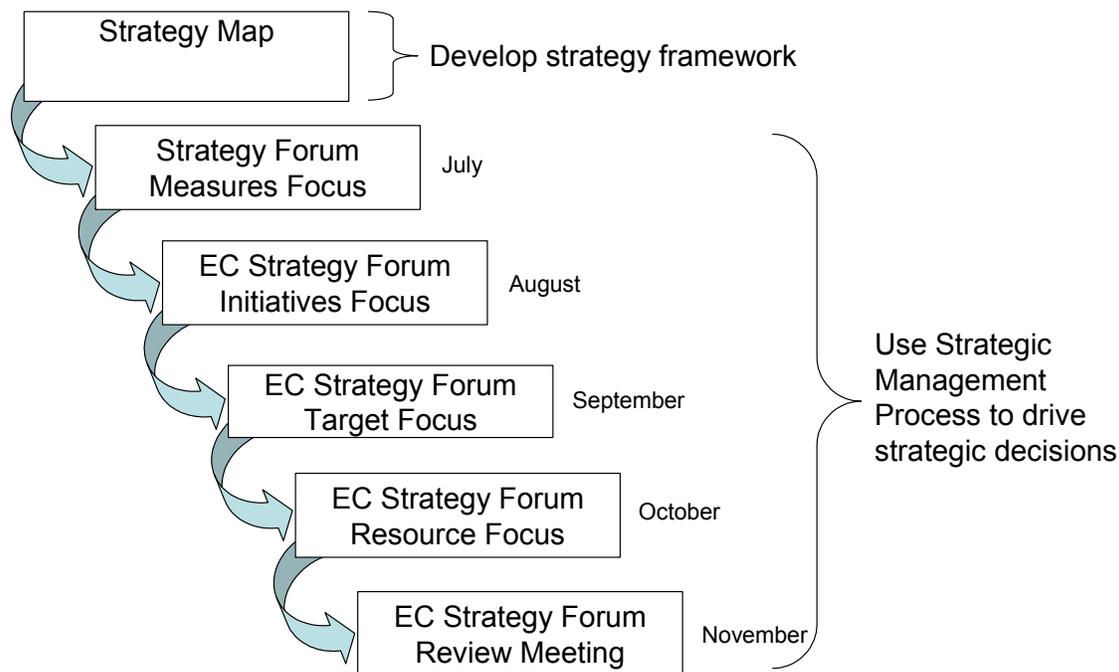
- Achieve Operational Excellence is all about operating the existing system safely, moving the growing traffic volumes effectively to achieve predictable results for customers and owners.
- Enhance Financial Disciplines is about getting better at managing our money, our costs, and our major programs.
- Increase Capacity is about "making the glass bigger", or, increasing the capacity of the NAS where and when it is needed.
- Ensure a Viable Future looks with realistic eyes at increasing traffic and costs, and slower growing revenues, and seeks to find the best business model that will ensure that the future aviation system will continue to be robust and healthy.

Each pathway is further defined by objectives across four perspectives:

- The Owner Perspective captures the expectations of the Congress and Executive branch
- The Customer Perspective represents the needs of our customers (airlines, cargo, military, GA, business aviation)
- The Process Perspective objectives identify what internal processes ATO must excel at to deliver customer needs and meet owner expectations.
- The Employee Perspective focuses on the capabilities needed in the employee workforce, ATO's culture, and infrastructure to successfully operate critical Processes identified in the third perspective.

The strategic objectives in each perspective translate the strategy into practical and actionable terms that all employees understand

ATO is On Track to Implement its Strategy Management Process Early This Fall



While the Executive Council is completing the development of ATO's Strategic Management Process, each service unit is doing the same, following the guidance of the EC at each stage. By September, each service unit will have completed its own strategy map and measures, and by November, will be actively using the new framework to manage its business.

Further cascading of strategy to geographical units will take strategy further into the organization. By mid-2005, consistent strategy maps and measures will be cascaded to service delivery points, so that each en route center, for example, will have actionable objectives and clear measures of success.

The Strategic Management Process will guide financial decisions in 2005. Operational budgets, programs, and initiatives will be funded, based on their contribution to the achievement to strategic objectives of ATO.

Making strategy the center of how we operate. Strategy is really just a series of “educated best guesses” or hypotheses about the future of our business. These hypotheses need to be tested against reality and adjusted accordingly. In other words, “strategy” is a continuous process of learning about what works and what doesn't. When some part of our strategy is not working, we will examine why not. Has something changed in the environment? Have we not executed well? Or were we wrong with our initial strategic direction? What's the specific cause is not nearly as important as what we do about it. Thus accurate, timely

feedback will allow us to do things differently, and to adjust to reality. We intend to learn and adjust quickly. This is in essence real time strategy.

We believe that the whole is greater than the sum of the parts. Taken together, these concepts provide the foundation for the successful execution of ATO's strategy.

What are the Major Highlights of Phase 2?

Managing Costs and Cost Accounting

During Phase 2, the emphasis will be on managing costs and enhanced cost accounting. Managers and staff are being trained to develop and manage budgets, identify and track operating costs, and reduce costs where feasible. Viable reports will be available from the cost accounting system. Capital programs, now an integral part of each service unit, will be tied to producing improved operational performance and/or reducing unit-operating costs.

The ATO will link its field-up budget requirements and justifications to a comprehensive, validated Federal Budget submission.

Completing Realignments and Improving Services

Both the headquarters and field realignments will be completed during FY05. Any necessary refinements as a result of AVA or workflow improvements will be made. The ATO will continue to improve the value of its services while stressing innovation. The importance of providing valued services to ATO customers and owners will be more evident.

Safety Initiatives

Safety initiatives and training for ATO employees will continue. Existing technical and operational evaluation processes will be streamlined and strengthened.

How will Phase 3 build on the improvements of Phases 1 and 2?

Improved Service Value and Innovation

The ATO improvements that began in FY04-05 will continue with opportunities for continuous learning and innovation. The delegation and management of the budget structure will offer flexibility and opportunities to improve services and value, while providing the foundation for the Federal Budget submission.

Planning and Flexibility

An ATO operating plan that is directly linked to the budget will be developed. Tactical and strategic planning documents will be assets in the provision of NAS services. Although the initial ATO realignment will have been completed, flexibility will provide opportunities for improvements where necessary.

Safety Continues to be the Top Priority

The ATO's fundamental tenets of Safety and Risk Management will continue to be the foundation of all its services.

What are other Highlights of the Three Implementation Phases?

Additional highlights of the ATO implementation phases are detailed in Appendix 1. A high-level schedule is provided in Appendix 2.

(Appendix 1)	Phase 1 - FY 2004 Realignment & Resource Management	Phase 2 - FY 2005 Control Unit Costs Cost Accounting	Phase 3 - FY 2006 Improve Service Value & Innovation
PURPOSE	<ul style="list-style-type: none"> Form the Air Traffic Organization Stress Safety and Service to Customers, Owners Control Costs Eliminate Processes that Add no Value Move Resources to Where they Add Most Value 	<ul style="list-style-type: none"> Identify and Track Operating Costs Train Managers and Staff How to Reduce Costs 	<ul style="list-style-type: none"> Manage Costs Showcase Improvements and Stress Innovation Use Flexibility and Competencies of New Organization to Improve Service and Value
STRUCTURE	<ul style="list-style-type: none"> Begin Phase 1 Alignment (HQ & Regional) Complete Activity Value Analysis (AVA) at HQ Implement Service Units Reduce Management Layers Align Traffic Management Units into System Operations Begin Technical Operations Alignment Establish Safety Office 	<ul style="list-style-type: none"> Integrate AVA Outcomes into Alignment Complete HQ and Regional Realignment 	<ul style="list-style-type: none"> Validate and Refine Alignment where Necessary
SAFETY	<ul style="list-style-type: none"> Begin implementation of Safety Management System (SMS) Provide initial SMS Training Establish Safety Partnerships and Data Sharing 	<ul style="list-style-type: none"> Personal Accountability for Safety Decisions Begin providing Safety Risk Management Training to NAS change agents Formalize Safety Risk Management 	<ul style="list-style-type: none"> Assessment of Operational and Safety Benefits of National Airspace System systems
FINANCE	<ul style="list-style-type: none"> Align with Service Units Set-up Budget Coding Develop New Reporting Systems Develop Service Unit Allowances Develop and Train <ul style="list-style-type: none"> Managing the ATO Business Capital Budget in the ATO 	<ul style="list-style-type: none"> Strategy for Removing Budget Firewalls finalized Link Requirements to Federal Budget New Processes for Administrative Control of Funds Implement New Cost Accounting Systems Complete Phase 1 Training; Develop follow-on financial training 	<ul style="list-style-type: none"> Decentralize Budget Enhanced Financial Data and Reporting Evaluate Cost/Benefit of Services and Functions Adjust/Revise Services Based on Benefits Analysis
COMMUNICATIONS	<ul style="list-style-type: none"> Internal <ul style="list-style-type: none"> Russ E-grams, web site, Workshop, ATO Training, Meetings, Handouts/Flyers External, Public Relations <ul style="list-style-type: none"> Customers, Owners, Congress, International 	<ul style="list-style-type: none"> Enriched Communications with Customers, Owners, Employees Begin Integration of Communications Functions to Respond to Organizational Priorities Begin development of Communications Plan 	<ul style="list-style-type: none"> Complete Integration of Communications Functions Publish Integrated Communications Plan
PLANNING	<ul style="list-style-type: none"> Develop ATO Business Plan, <ul style="list-style-type: none"> External/Internal Use Develop ATO Operations Plan <ul style="list-style-type: none"> Internal Use Cost/Performance Targets Link Plans to FAA Flight Plan 	<ul style="list-style-type: none"> Develop Process for FY06 Business Plan Update ATO Business Plan Develop FY06 Operating Plan 	<ul style="list-style-type: none"> Complete Alignment of Business and Operating Plans with FY06 Budget Enhanced Employee Participation in Planning Process
ACCOUNTABILITY	<ul style="list-style-type: none"> Safety, Cost and Performance Goals Performance Metrics Achievements 	<ul style="list-style-type: none"> Safety, Cost and Performance Goals Performance Metrics Achievements 	<ul style="list-style-type: none"> Safety, Cost and Performance Goals Performance Metrics Achievements

ATO Implementation Phases – August 2004 Current Schedule of Activities

