Managing the Business of ATO

Transition Training for
ATO Managers and Executives

Pre-Course Materials

Department of Transportation
Federal Aviation Administration
Air Traffic Organization

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Welcome from Russ Chew

As we evolve into our Air Traffic Organization, one of the many changes I envision is to become more fiscally responsible and begin managing more like a business.

I am asking each of you to stretch yourself as you begin to make this business transition by first engaging in this half-day training session and second, by sharing this information with your managers. I am also encouraging you to absorb the many documents available to you on the ATO website and elsewhere to get better acclimated to our new way of doing business.

As I've stated before, the first steps are also the most significant. Therefore it is very important my managers are committed at the beginning and fully comprehend the direction this organization is moving toward.

Russ Chew

Introduction

Managing the business of the Air Traffic Organization (ATO) is dependent upon your ability to adapt to new skills. To familiarize you with some of these concepts, you will be attending a one-day training session in the next few weeks. The session will focus on the information you must understand and the changes in behavior you must demonstrate in order to succeed as a professional manager in the Air Traffic Organization.

Your manager will deliver the course. Shortly after attending the session, you will deliver the course to your own direct reports.

After the session, you will complete an assignment that will be reviewed by the instructors and the ATO Chief Operating Officer to evaluate your level of knowledge regarding this critical information.

This package provides the information you will need to participate in the session and successfully complete the work assignment.

Please review and absorb these materials thoroughly and carefully.

At the completion of training, you will be able to:

1. Describe the immediate structural and/or procedural changes resulting from establishing the ATO.
2. Describe the FY-04 transition activities anticipated in implementing the ATO, including realignment, activity value analysis, corporate business planning, and restructuring.
3. Describe anticipated changes in management behavior or responsibilities.
4. Describe anticipated requirements for managerial training and development.
5. Define controllable costs and contribution margin, outputs and outcomes, unit cost and total cost.
6. Identify ATO data sources available for measuring unit cost.
7. Demonstrate the ability to identify outputs and calculate controllable cost and contribution margin.
8. Demonstrate the ability to identify cost management strategies and approaches based on provided scenarios.

Section 1 - FY-04 ATO Transition and Planning Activity

Realignment

In January 2004, ATO combined the Air Traffic Services, Research and Acquisition, and Free Flight organizations into a single organization of the functional service units as described in Appendix 1. The Vice Presidents leading each of the new service units have been identified.

The Vice Presidents of each service unit and the Chief Operating Officer collaborated to determine the initial structure of ATO to align with the functional design. Each Vice President then identified and selected directors for each organizational element assigned to his or her functional area. The initial structure and director assignments were determined in January 2004.

Activity Value Analysis

In February 2004, a six-month activity value analysis began in all ATO headquarters staff offices.

A group consisting of 34 FAA employees, assisted by 11 personnel from Booz Allen Hamilton, is conducting a bottom-up activity value analysis of the ATO staff concentrating on the customers served by the ATO. The activity value analysis will include every ATO headquarters staff office, every ATO headquarters staff federal employee, and every ATO headquarters staff activity. ATO headquarters organizations are those located in Washington, DC, the WJHTC in Atlantic City and the MMAC in Oklahoma City, as well as their remote organizations located at field facilities.

The consultants will be working closely with employees in ATO to:

- Identify the products and services generated by the ATO staff,
- Quantify the amount of labor expended to produce the products and services, by FAA and contractor personnel,
- Determine the value of the products and services to the customer(s),
    - Identify the customer (internal/external)
    - Establish a customer value framework
    - Ask customer to rate the relative value of products and services
- Recommend improvements to the value of ATO products and services,
- Identify products and services of low value to customers that could be candidates for elimination,
- Identify high-value products and services that are under-resourced,
- Identify low-value products and services and recommend how to realign personnel supporting these activities,
- Recommend products/services the ATO is not currently providing but should,
- Recommend approaches to streamlining selected high-value workflow processes.

Additional information is available to you in the Activity Value Analysis section of ATO Online at www.ato.faa.gov.

Restructuring

At the conclusion of the activity value analysis, ATO organization restructuring and realignment will continue, based on the findings. It is expected that the restructuring will be completed by September 30, 2004.

Manager Training

Throughout the transition process, all ATO managers will receive training in the knowledge and behaviors that are required to successfully support the organization. The document you are reading now is one component of this training.

Initially all managers will receive transition training to acquaint them with the proposed ATO transition activities, fundamentals of cost management, and the corporate business planning process.

After attending the initial transition session, all managers will attend training in general financial management for executives to acquire an understanding of the financial concepts and terminology that will be used in managing the ATO.

Selected managers will receive training in activity value analysis, output and cost identification, and other training related to the ATO business processes.

Corporate Business Planning

The FY-05 ATO business planning process will be designed, organized, and managed by a team comprised of representatives from the ATO Chief Operating Officer, the ATO Operations Planning Service Unit, the ATO Finance Service Unit, and other ATO Service Units.

The FY-05 ATO Corporate Business Plan will not contain complete output and cost data since identification of outputs and associated costs will be developed concurrently with the FY-05 ATO Corporate Business Plan.

Therefore, a standardized corporate business planning structure and process will be implemented with available data. The same process will be used in subsequent planning years with increasingly accurate output and cost data as these output and cost measures in ATO become fully realized.

Section 2 - ATO Corporate Business Plan

Overview

ATO corporate business planning is the identification of ATO output goals and the action plans required to achieve them. These output plans are translated into expenditure plans used to track and monitor cost and performance.

The ATO Operations Planning Service Unit has primary responsibility for coordination of the corporate business planning process in ATO as well as collection and reporting of aggregate performance metrics. The ATO Finance Service Unit will support the cost and expenditure planning process by assisting in the development of unit cost estimates and expenditure plans for each ATO Service Unit.

The ATO corporate business planning process will require significant output and cost data as input from all ATO managers. Final output and cost targets for each Service Unit will be negotiated between the ATO Chief Operating Officer, the Vice President Finance and each ATO Service Unit Vice President.

Purpose

The ATO corporate business planning process serves several purposes, including:

Resource Allocation

The process requires ATO managers and other employees to think how their day-to-day efforts impact the planning and distribution of limited resources necessary to support ATO goals and objectives.

Control

Through the expenditure planning process, ATO management authorizes an amount of money to achieve specific output objectives. This establishes a standard and measurable plan that can be used to monitor and evaluate organizational performance.

Coordination and Communication

The ATO corporate business planning process promotes an understanding of the interdependencies between directorates and service units and encourages continuous communication among these various organizational elements.

Credibility

The accuracy and effectiveness of the ATO corporate business planning and management system has significant implications for the reputation of the organization now and into the future.

Structure of the ATO Corporate Business Plan

The ATO corporate business plan contains the following components:

Summary of Outcomes and Objectives

This component provides a detailed summary of ATO objectives for the year. It explains major programs and projects and how each supports the strategic direction of ATO.

Key Assumptions

This section contains key assumptions that underlie the preparation of the operating plan. Key assumptions may focus on the introduction of new products or services, facility expansions, and expected legislation.

ATO Operating Plan

This aspect of the Corporate Business Plan identifies measurable outputs and associated estimated unit costs, as well as aggregate output measures with associated estimated aggregate unit costs, for each Service Unit and for ATO.

ATO Financial Statements

This element will feature income statements, balance sheets, and statements of cash flows.

Section 3 – ATO Business Concepts

Overview

In ATO the "budget management" mindset of managing fixed budgets must change. We must change the way we think, the way we work, and the way we manage. We must connect processes, outputs, outcomes and costs, and recognize that future costs are a consequence of today's decisions. We are committed to providing increasing quality at decreasing cost and achieving better value for each ATO dollar spent. These are difficult but defining goals for every member of the ATO workforce.

Understanding Outputs, Outcomes, and Costs

Outputs

An output is the result of an organization's operations and must be measurable in some quantitative unit. The key to identifying output is to focus on what the organization does.

ATO organizations produce more than one output, often complex in nature. Each of these is a different output calling for different mixes and types of labor skills, materials and capital (equipment, etc.), resulting in different total cost and unit costs.

ATO will use aggregate output measures. The various outputs of an organization will be grouped together to form a single (or few) measure(s) of output which generally describe the output of the organization. These output measures provide a quantified measure of the workload an organization has produced. Output measures will differ for each ATO organization.

An output is characterized as a measure of work produced. Defining an output requires identification and inclusion of all tasks related to producing the output. Knowing the way outputs are defined for a business area is a critical element in understanding how to manage with unit cost information. It is essential that the output measure represent the inclusion of all tasks performed.

Outputs vs. Outcomes

Outputs are the results of ATO activity in the form of products and services. Outputs are produced with the intention to impact system issues affecting ATO customers. The system impacts of the outputs are the outcomes. Outcomes are high-level system goals and outputs are what ATO produces in its pursuit of achieving the system goals.

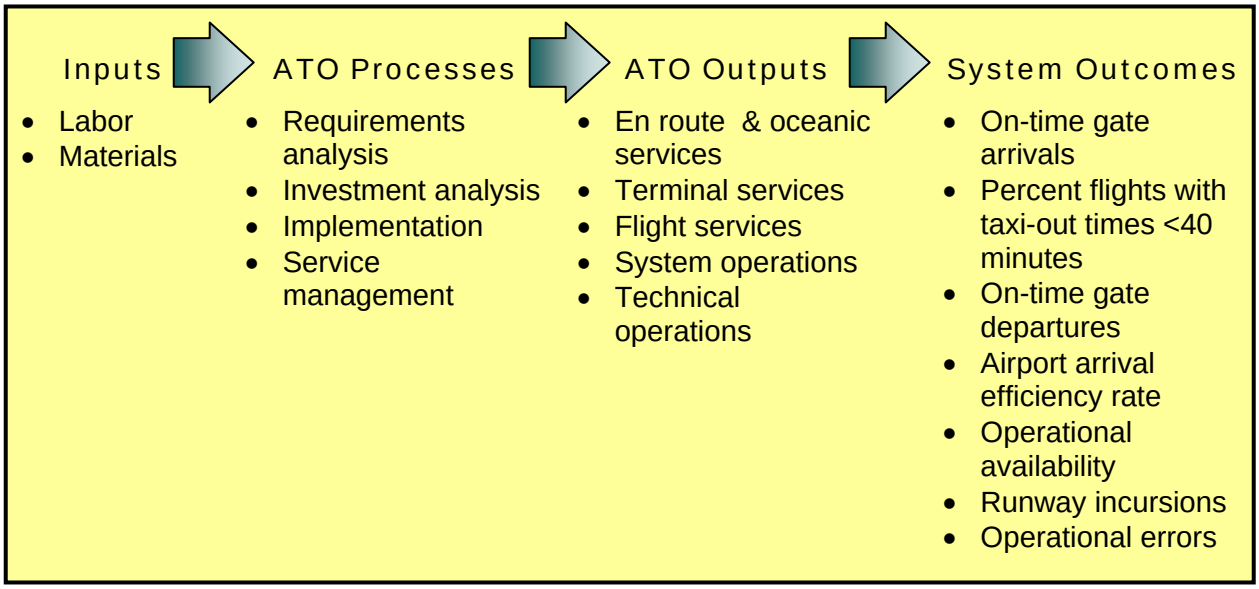

Figure 1. ATO Business Concepts

Unit Cost

A unit cost is simply the "average total cost" of producing one unit of output. A unit cost is calculated by dividing the total cost of production by the total number of units of output produced.

All costs associated with an output are collected, summed, and then divided by the number of units of output produced. The result is the cost per unit of that output, or unit cost. To properly understand unit cost in ATO, we must understand what is meant by "output," as well as what and how costs are included in "total cost."

Total Cost

Total cost is the total value of all resources consumed in producing an output, and includes all types of costs regardless of how they are classified.

Direct Costs: Direct costs are those costs that can be traced exclusively to one output, such as hands-on labor or material consumed directly in the production of an output. Direct costs tend to change proportionally with the quantity of output.

Indirect Costs: Indirect costs are those costs that benefit two or more outputs but not all outputs. Indirect costs are often relatively insensitive to changes in quantity of output. An example of an indirect cost may be a second line supervisor who oversees some specific, but not all, production processes. Typically these costs are allocated among the various outputs that they benefit.

General and Administrative Costs: General and administrative (G&A) costs are those costs that cannot be reasonably associated with any particular product or service produced. Commonly referred to as overhead, these costs are allocated over all outputs produced. Examples of G&A cost may include functions such as security, facilities engineering, fire protection, custodial services, and similar types of support functions.

Cost Behavior: Cost behavior is generally viewed as either fixed or variable. Total cost is the sum of all fixed costs and all variable costs. Although all costs are variable in the long term, fixed costs are those costs that over some specific period, do not vary with quantity of output.

These are costs that we must pay no matter how much we produce. For example, an annual lease that requires monthly rent payments whether or not we produce anything is a fixed cost.

Variable costs are those costs that change in the short term, directly with quantity of output. If we produce nothing, variable costs are zero. Consider the cost of materials used to repair radios. Each radio repaired requires one unit of material at some cost. The more radios repaired, the greater the total material cost. If we repair no radios, we use no materials and incur no cost for materials.

It is important for managers to recognize how costs behave in order to plan and manage properly. Managers should not assume that all or most of their costs are fixed costs and therefore management is unable to control costs. It is necessary to recognize which costs can be affected quickly by management action and which will take more planning and attention to influence.

Controllable Costs and Contribution Margins

Ultimately all costs are controllable regardless of whether they are direct or indirect, fixed or variable. Within ATO we will use the concept of ***controllable costs*** to differentiate between those costs an individual manager can control at his or her level and those incurred at a higher or lower level in the organization over which the individual manager has no control.

As an example, preliminary analysis of the output-cost structures within the En Route/Oceanic Service Unit indicates that approximately 54.7% of total unit costs incurred in FY-03 for each Service Unit output are controlled at the individual Service Centers. Similarly, approximately 22.8% of total unit costs are controlled at the Service Unit level, 14.5% at the ATO level, and 8.1% at the FAA level. Individual managers at each level will be expected to track and manage only those costs over which they exercise control.

Related to the concept of controllable costs is the concept of ***contribution margin.*** A contribution margin is the amount of total revenue passed on by a lower level organization to higher level elements after meeting its cost targets while satisfying its own controllable costs. For example, again from the En Route/Oceanic Service Unit, total revenues for En Route/Oceanic operations in FY-03 were $3,386 million. Of this amount, $1,853 million, or 54.7%, comprised costs that were controllable at the individual Service Center level. Therefore the ***contribution margin*** of the individual Service Centers, in aggregate, was $1,533 million, or 45.3% of total revenue. Please see Appendix 3 for additional examples.

Aligning Costs and Outputs

Unit cost will help ATO managers at all levels make informed resource allocation decisions. To provide this capability, it is necessary to understand the output definitions and cost collection methodologies used in the process of developing unit cost.

During the ATO activity value analysis and corporate business planning processes, ATO managers and consultants will determine organizational outputs for selected functional areas, identify sources of cost data and workload information and develop cost maps, a methodology of aligning costs to individual outputs.

The mapping process will bring workload and financial data together to assign costs to specific outputs. Cost data collected from FAA/ATO accounting systems will be grouped together and linked or mapped to particular outputs. This process results in cost-output relationships that provide management visibility of the total cost for a given output. The mapping for an activity will be continuously reviewed and updated in order to accurately reflect changes.

Managing with Unit Cost

Calculating and knowing the actual unit cost per output is an essential element of managing under unit cost. Viewed alone, however, the unit cost of an output cannot answer the question "how well are we doing in meeting our cost targets?" To address this question, we will use a financial benchmark, the ***unit cost goal***.

The ***unit cost goal*** represents the ATO expectation of what an output "should cost." It is the maximum average total cost to be incurred in the production of an output. To derive the goal, all projected cost associated with an output, are divided by the expected number of output units. The unit cost goal is based on historical data, adjusted for known and anticipated changes in the budget year. Some of these anticipated changes may be based on expected increases for the cost of inputs, or increased productivity based on improved processes (including new technology). The expected quantity of output is based on the ATO Output and Expenditure Plan.

Cost Variance Analysis

Using the unit cost goal as a benchmark or measure against actual unit cost enables managers to perform cost variance analysis. Cost variance analysis examines the difference between actual operating results (actual unit cost) and expected results (unit cost goal).

ATO managers will routinely compare actual results with unit cost goals to target areas needing attention. Monthly comparisons between actual unit costs and unit cost goals will enable ATO managers to understand the results of monthly operations and trends over time. End-of-year results indicate if the activity's management completed the mission within financial expectations and provide a measure of organization and management performance.

Cost drivers are factors that cause changes in the cost of an output. To the extent management can control cost drivers, they should be evaluated to determine whether or not they add value to an output or result in improved customer support. With the ability to identify cost drivers through unit cost, the ATO can minimize or eliminate costs and ultimately reduce the total cost and cost per unit of output.

Glossary

COST -- A monetary measure of the amount of resources applied to a cost object. Within the ATO, "costs" are identified following General Accounting Office accounting principles and standards as implemented through the ATO Financial Management Regulation.

COST DRIVER -- Any factor that causes a change in the cost of a function or output.

CUSTOMER -- Organizations, either operational or support, who receive support goods or services from another activity. The customer is the originator of requirements, and hence, external to the organization that actually provides the support.

DIRECT COSTS -- Costs that are specifically identified with a single cost object (output). The cost of resources directly consumed by producing an output. Direct costs are assigned to activities by direct tracing of resources consumed by individual outputs.

FIXED COST -- A cost or expense that does not vary in the short run with the quantity of output produced.

GENERAL & ADMINISTRATIVE (G&A) COSTS -- Labor and non-labor costs that cannot be reasonably associated with any single output or group of outputs and are therefore allocated over all outputs.

INDIRECT COSTS -- Costs that are related to two or more outputs, but not all outputs.

OPERATING COSTS -- Expenses incurred in connection with the production of outputs of an activity. Operating costs include direct, indirect and general and administrative costs.

OUTPUTS -- In general, any product or service generated from the consumption of resources. An output must be a quantifiable measure and generated as the result of customer requirements (customer-driven demand).

UNIT COST -- The relationship of resources consumed to outputs produced. A unit cost is the cost of producing one unit of output or providing one unit of service. Unit costs are determined by dividing the total cost (the sum of direct, indirect and G&A costs) of inputs used to produce outputs by the total quantity of units of output produced.

UNIT COST GOAL -- A unit cost target that is expected to be achievable for production of an output. The unit cost goal is based on historical data (cost and output) adjusted for future known or expected changes.

VARIABLE COST -- A cost that varies with changes in the quantity of output produced when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity.

VARIANCE -- The amount, rate, extent, or degree of change, or the divergence from a desired characteristic or state.

Appendix 1 – ATO Service Units – Functional Descriptions, 3/24/04

Safety

Jim Shear, Vice President
AAT-100 Air Traffic Evaluations Division
ACM-1/2 Configuration Management and Evaluation Staff
ACM-10 Evaluation Branch
ARI1/2 Office of Runway Safety
ARI-100 Runway Safety Integrated Team
ARI-200 Technology & Business Division
ATQ-1/2 Office of IOT&E

Provides:
- ATO focal point for safety, quality assurance, and quality control
- Convert safety and quality data into management information
- Responsible for ATO safety management system, in concert with FAA safety oversight office.
- Establishes ATO policy and management program on safety
- Manages ATO safety management system
- Establishes ATO policy and mechanism on quality assurance and quality control
- Identify trends and risks affecting safety and/or service quality
- Provides high level oversight of Investigations
- Establish policy on independent validation and verification
- Performs Independent Test and Evaluation (IOT&E) for designated new NAS systems
- Provides assessment of operational and safety benefits of NAS systems
- Manages runway safety programs
- Liaison to System Safety (ASY), Regulation and Certification (AVR)

Communications

John Thorton, Acting Vice President

Provides:

- Timely, relevant ATO information to all ATO audiences
- Open, two-way communications channels that:
- Keep employees, owners and customers informed about and supportive of the objectives and progress of the ATO
- Encourage employees to make suggestions and speak up, provide management feedback, and foster high morale and productivity
- Messages that support the goals, objectives, and plans of the ATO
- Government and Industry Relations services to develop key relationships with and provide support to owners and customers, including management of official correspondence and testimony development
- Liaison to Customers, Owners, Employees, Government & Industry Affairs (AGI), Public Affairs (APA)

Operations Planning

Steve Brown, Vice President
AAR-1/2 Office of Aviation Research
AAR-10 Management Staff
AAR-100 Human Factors Division
AAR-200 Research Division
AAR-400 Airport and Aircraft Safety Division
AAT-30 International Staff
ACB-1 Innovations and Solutions Program
ACF-1 Enterprise Performance Program
ACH-1 Human Capital Strategies Program
ACK-1 Knowledge Management Program
ACM-20 NAS Configuration Management Branch
ACT-1/2 William J Hughes Technical Center (WJHTC)
ACT-4 Communication Staff
ACX -1 Operations, Technology and Acquisition Program
ADA-70 Operational Evolution Plan
AND-500 IPT Advanced Technology
AOZ 45 (Metrics)
ARQ-1/2 Research and Requirements Program
ARQ-100 Architecture & Financial Services Division*
ARQ-200 Strategic Research & Management Analysis Division
ARQ-300 Mission and Requirements Analysis Division
ARS-6 Strategic Planner
ASC-1/2 Office of System Capacity

ASC-100 Capacity Planning Division
ASC-200 Capacity Initiatives Division
ASD-1/2 Office of System Architecture and IA
ASD-100 Architecture & Engineering Program
ASD-400 Investment Analysis & OPS Research Program
ASD-500 Research and Acquisition International Program
ASD-600 System Engineering Resource Management Program
ATP-400 Operations Planning Division (BFOT & OPS Concept) *
ATS -1/2/3/7 Air Traffic Services
ATS-6 Special Assistant for Operations Resources
ATS-8 Chief Planner
* *Indicates organization resource sharing*

Provides:
- Development of the operations strategy for the ATO in alignment with the FAA flight Plan, the Joint Planning Office and the Operational Evolution Plan
- Leadership as Chief Architect for the National Airspace System including configuration management
- Operations and performance analysis services
- Leadership as Chief Scientist for Research and Development activities for the ATO and laboratory services at the William J. Hughes Technical Center
- International Operations for the ATO and Liaison to the FAA International Office
- Liaison to International Aviation (API) & Policy, Planning and Environment (AEP), Airports (ARP)

Finance

Gene Juba, Senior Vice President
AFZ-4 LDR Program Manager
AFZ 400 Financial Management
AOZ-10 Resource Financial Management
ASD-300 NAS Programming and Financial Analysis Program
ATX-300 Resource Management Division

Provides:
- Financial planning services providing continuity to OST/OMB/Flight Plan, etc.
- Financial analysis services providing for financial metrics, comparative analysis, productivity measurements, and life cycle costing
- Competitive Sourcing
- Budget services for all appropriations, financial policy, modeling, and fund certification
- Financial Systems services (Cost Accounting)
- Liaison to Owners, (e.g. OMB, GAO, OIG), Financial Services (ABA)

Acquisition & Business Services

Dennis DeGaetano, Vice President
AAF-60 ATS Information Services Management
ABZ-1/2 Office of Business Management
ABZ-100 Strategic Business Management Division
ABZ-200 Human Capital Management Division
ABZ-300 Partnership Management Division
ACA-1/2 Office of Competitive Sourcing Acquisition
ACA-100 Business Operations Division
ACA-200 AFSS Acquisition Division
AFZ-1/2/7 Resource Management Program
AFZ-100 Training Division*
AFZ-200 Staffing and Compensation Division
AFZ-300 Employee and Labor Relations Division
ARA-2 Associate Administrator for Research & Acq
ARA-5 Special Assistant for Small Business
ARA-6 Special Assistant for Congressional and Industry Affairs
ASU-1/2 Office of Acquisitions
ASU-10/11 Administrative Systems Staff
ASU-100 Acquisition Management Division
ASU-200 Quality Assurance Division
ASU-300 Contracts Division
ASU-400 Facility Management Division
ASU-500 Info-Tech Division
ATS-9 National Program Manager for MWE
ATX 1/2/3 AT Resource Management
ATX-10 AT Resource Management Executive Staff
ATX-100 Training Division
ATX-200 Field Support Division
ATX-330 Staffing Standards Branch
ATX-400 Planning, Info, Analysis Division
ATX-500 Labor Management Relations Division
**Indicates organization resource sharing*

Provides:
- Acquisition policy, contracting and quality assurance services
- Information technology services
- Human resource management services
- Labor relations services
- Liaison to Information Services (AIO), Civil Rights (ACR), Human Resource Management (AHR), Chief Counsel (AGC), Region & Center Operations (ARC)
- Facilities management
- Training and workforce development
- Competitive sourcing
- Small business

En Route & Oceanic Service Unit

Charles Keegan, Vice President
ANI-50 En Route ARTCC/AFSS Platform
AOP-600 Terminal and En Route Division
AOS-300 National En Route Automation Division
AOZ-1/2/3/7 Free Flight
AOZ-20/40/50 Integration Management
AOZ-200 User Request Evaluation Tool
AOZ-500 Center/TRACON Automation System
ARA-1 Associate Administrator for Research & Acquisition
ARU-100 En Route Division
ARU-200 Offshore Division *
ATP-110 En Route Operations/Procedures Branch
ATP-130 Oceanic Operations/Procedures branch
ATP-400 Operations Planning Division (BFOT & OPS Concept) *
ATP-6 DRVSM AT Project Lead
AUA-1/2 Office of Air Traffic Systems Development
AUA-10 Business and Financial Management Staff
AUA-200 En Route IPT
AUA-600 Oceanic and Offshore IPT

** Indicates organization resource sharing*

Provides:
- Overall en route and oceanic services
- Daily and future en route and oceanic capabilities
- Real-time en route and oceanic operations measures
- En route and oceanic organizational performance metrics
- Information delivery to decision makers
- Financial management associated with providing the service
- Liaison to Customers, Region & Center Operations (ARC)

Terminal Service Unit

Bruce Johnson, Vice President
AAT-1 Air Traffic Service*
AND-200 Business Operations IST
ANI-40 Terminal ATCT/TRACON Platform
ANI-90 Communications/Navigation/Surveillance Platform *
AOZ 100 Surface Movement Advisor *
ATB-1/2/5 Terminal Business Service
ATB-10X Regional Account Manager
ATB-20 System Engineering & Finance (Planning)
ATB-10 Human Resource & Admin Staff
ATB-30 Terminal Transition & Implementation Staff
ATB-200 Terminal Automation
ATB-300 Terminal Facilities
ATB-400 Terminal Surveillance
ATP-120 Terminal Operations/Procedures Branch
ATP-140 Contract Towers Branch
ATP-400 Operations Planning Division (BFOT & OPS Concept) *
Indicates organization resource sharing

Provides:
- Overall terminal services
- Daily and future terminal capabilities
- Real-time terminal operations measures
- Terminal organizational performance metrics
- Information delivery to decision makers
- Financial management associated with providing the service
- Liaison to Customers, Airports (ARP), Region & Center Operations (ARC)

Flight Services

James Washington, Vice President
AOP-400 Airway Support Facilities Division *
ARN-100 Navigation Division
ARQ-100 Architecture & Financial Services*
ARS-1/2/3 Air Traffic System Requirements Service
ARS-10 Resource Management Staff
ARU-1/2 Air Traffic Systems Development Program
ARU-300 NAS Information Service Division *
ATP-300 Flight Service Operations Division
AUA-400 Weather and Flight Service IPT *
**Indicates organization resource sharing*

Provides:
- Overall flight planning and advisory services
- Daily and future flight planning and advisory capabilities and operations
- Real-time flight planning and advisory operations measures
- Flight services organizational performance metrics
- Information delivery to decision makers
- Financial management associated with providing the services
- Search and rescue coordination
- Liaison to Customers, Region & Center Operations (ARC)

System Operations Service Unit

Linda Schuessler, Vice President
AAT-2 Air Traffic Service
AAT-20 Evaluation and Investigations Staff
AAT-200 Investigations Division
ARS-20 Aerospace Weather Policy & Standards
ARU-200 Traffic Management Processors *
ARU-300 NAS Information Service Division *
ATA-1/2/3 Air Traffic Airspace Management
ATA-10 Publications Staff
ATA-40 Airspace Lab
ATA-100 Aeronautical Information Division
ATA-200 Planning and Analysis Division
ATA-300 Environmental Programs Division
ATA-400 Airspace and Rules Division
ATP-1/2/3/4 Air Traffic Planning and Procedures
ATP-10 Air Traffic Operations Support Staff
ATP-100 Terminal and En Route Procedures Division
ATP-200 Special Operations Division & Military Liaisons
ATP-500 Required Navigation Procedures Division
ATT-1 Air Traffic Tactical Operations Program
ATT-100 Tactical Operations Division
ATT-200 System Efficiency Division
ATX-10 Executive Staff
AUA-400 Weather and Flight Service IPT *
AUA-700 TFM IPT
** Indicates organization resource sharing*

Provides:
- Overall national guidance and policy for air traffic procedures and airspace issues
- Traffic Flow Management for the NAS
- Daily ATO interface with DOD at the national and individual military command levels
- ATO interface with TSA regarding air transportation security issues (daily operational issues as well as planning of future operations)
- Real time evaluation of air traffic control services
- Requirements for weather observation and reporting standards in accordance with National Weather Service standards
- Acquisition of weather systems to support ATO
- Performance analysis for air traffic control metrics
- Formalized agreements with ATO organizations
- Liaison to Customers, Region & Center Operations (ARC), Commercial Space Transportation (AST), Security & Hazardous Materials (ASH)

Technical Operations Service Unit

Steve Zaidman, Vice President
AAF-1/2/3 Airway Facilities Service
AAF-20 Evaluation Staff
AAF-50 NAS Defense Program
AAF 51 NAS System Security
AFZ-100 Training Division
AFZ-500 NAS Logistics Property Mgmt Division
AFZ-600 Headquarters Administrative Services Div
AFZ-700 NAS Planning and Support Division
AFZ-800 Environmental, Energy, and Safety Div
AND-1/2 Office of CNS
AND-300 Communications IPT
AND-700 Navigation IPT
ANI-1/2/6/10 NAS Implementation
ANI-20 Implementation Management
ANI-30 Infrastructure Platform
ANI-90 Communication/Navigation/Surveillance Platform *
AOP-1/2/4/8/20 NAS Operations
AOP-30 NIMS Program
AOP-100 NAS Operations Division
AOP 200 NAS Quality Assurance & Performance
AOP-300 NAS Policy Division
AOP-400 Airway Support Facilities Division
AOP-500 NAS Security Division (Facilities)
AOP-1000 NAS IN-Service Management Division
AOS-1/2/3/4 Operational Support
AOS-10 National Operational Support
AOS-20 AOS Program Management Division
AOS-200 National Airway Systems Engineering Division
AOS-500 Communications, Flight Services, Weather and IRM Division
AOS-600 Telecommunications Division
AOS-1000 NAS Power Systems Division
ARN-1/2 Communication Navigation, Surveillance Program
ARN-200 Communication Division
ASR-1/2/4 Spectrum Policy and Management
ASR-100 Spectrum Assignment and Engineering Division
ASR-200 Spectrum Planning and International Division
AVN Aviation System Standards
**** Indicates organization resource sharing***

Provides:
- All maintenance and construction services to the other ATO service units
- Selected second level support

- Overall navigation services including procurement, charting procedures, and flight inspection in support of the National Airspace System
- Communication services, assets and policies related to the ATO
- National Defense Program assets
- Financial management and performance metrics associated with the above services

ATO Transition

Peter Challan, Senior Vice President

Provides:

- Direction for planning, program development, and establishment of ATO operating policies.
- Direction and coordination of ATO and FAA efforts so that efforts are directed toward common goals, consistent with approved priorities.
- Representation of the COO to external organizations as the primary ATO point of contact for transition-related issues.
- Integration and coordination of policies and programs of ATO components, ensuring support of the broad mission of the ATO and alignment with FAA goals, objectives and plans.
- Coordination of large-scale logistic efforts to establish the ATO.
- Continuous monitoring of transition activities, exercising authority to correct deficiencies and improve program performance.
- Direction to subordinate staff, assigning tasks and responsibilities, while providing a positive work environment with open communication.

Appendix 2 – FY-04 Transition and Planning Schedule

Realignment and Restructuring

Nov 2003	COO identifies Service Unit Vice Presidents
Dec 2003	Service Unit Vice Presidents and COO identify initial functional and structural components of each Service Unit
Jan 2004	Service Unit Vice Presidents make initial management assignments Target Virtual Budget Transfer date
	Initial functional, structural, and management assignments implemented
Jul-Aug 2004	Service Unit Vice Presidents and COO identify functional, structural, and management assignments resulting from value analysis and work flow analysis
Sep 2004	Functional, structural, and management assignments resulting from value analysis and work flow analysis implemented
Oct 2004	Target Actual Budget transfer

Value and Work flow Analysis

Nov 2003	SIR Released
Dec 2003	Evaluation of Bidders and Selection of Consultant
Jan-Jun 2004	Value Analysis and Work flow Analysis of ATO Staff Offices
July 2004	Findings of ATO Value Analysis and Work flow Analysis

Corporate Business Planning

Mar 2004	Process for developing FY-05 Corporate Business Plan begins
Jul 2004	Draft FY-05 Corporate Business Plan completed

NOTE: Structure and process of ATO Corporate Business Planning process are TBD

Manager Training

Jan 2004	Transition Training for Service Unit Vice Presidents and Direct Reports
Feb-May 2004	Transition Training for All Other ATO Managers
Feb-May 2004	Financial Management Training for All ATO Managers

Appendix 3 – Sample Contribution Report

FAA ATO CONTRIBUTION REPORT
Summary Report -- Enroute / Oceanic Service Centers
For the Month Ending: Sept 30, 2003

Total Units = 22,431,159

	Period Budget	Period Actual	Variance	Unit Price	YTD Budget	YTD Actual
Total Service Revenue						$3,386,123,599
Less Enroute / Oceanic Service Center Controllables:						
AirTraffic OPS:						
Labor						$1,397,132,002
Non-Labor						$1,940,446
Academy Training						$12,368,364
Subtotal						**$1,411,440,812**
Airway Facilities:						
SSC Labor						$209,356,253
SMO Labor						$40,430,830
Accruals & Adjustments						$(9,217,821)
Non-Labor						$38,211,626
Telecommunications						$123,311,582
Utilities						$29,365,096
Academy Training						$10,018,602
Subtotal						**$441,476,168**
Total Enroute / Oceanic Service Center Controllable Cost						**$1,852,916,980**
Enroute / Oceanic Service Center Contributions:						**1,533,206,619**
Rate:						**45.3%**
Revenue Per Employee						TBD
Cost Per Customer Contact						TBD

Enroute / Oceanic Service Center Contributions:						$1,533,206,619
Less Flight Service Unit Controllables:						
Unit Manager Staff (Overhead Labor)						TBD
Air Traffic OPS:						
DUATS						
Contract Tower						
Contract Weather						$1,229,309
Contract Weather Observations						$138,062
Contract Training						$14,496,778
Subtotal						$15,864,149
Airway Facilities OPS:						
Flight Inspections						$25,577,271
Investment:						
Acquisition Expense						$(26,991,248)
Implementation Expense						$301,481,115
Depreciation and Amort Expense						$454,643,661
Total Enroute / Oceanic Service Unit Controllable Cost						**$770,574,948**
Enroute / Oceanic Service Unit Contributions:						**$762,631,671**
Rate:						**22.5%**
COA						152.5%
Net Assets Employed						500,000,000
Revenue Per Employee						TBD
Cost Per Customer Contact						TBD

Enroute / Oceanic Service Unit Contributions:	$762,631,671
Less ATO Controllables:	
Air Traffic OPS:	
ATC Systems Command Center	$38,269,165
Workers Comp	$28,347,929
Charting	$21,818,049
Airway Facilities OPS:	
National Network Control Center	$14,102,255
Atlantic Operations Control Center	$2,202,598
Mid-States Operations Control Center	$2,437,711
Pacific Operations Control Center	$2,988,300
Contract Maintenance	$77,252,312
Workers Comp	$4,529,379
Logistics	$53,972,162
Overhead:	
ATS Regional (portion of expense will move to Unit staff managers)	$75,702,655
ATS Headquarters	$144,441,477
RE&D:	$23,903,965
Total ATO Controllable Cost	**$89,967,958**
ATO Contribution:	**$72,663,713**
Rate	**8.05%**
COA	54.53%
Net Assets Employed:	500,000,000
Revenue Per Employee	TBD
Cost Per Customer Contact	TBD

ATO Contribution	**$72,663,713**
Less AGENCY Controllables:	
Air Traffic OPS:	
Medical	$5,688,173
Security	0
Airway Facilities:	
Overhead and G&A:	
FAA Regional	$29,340,895
FAA Headquarters	$88,222,840
Other Costs and Expenses:	$149,411,805
Total Agency Controllable Cost	**$272,663,713**
Total Revenue	$3,386,123,599

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