

STATEMENT OF FRED GILMORE, DIRECTOR OF ACQUISITION AND MATERIEL,
FEDERAL AVIATION ADMINISTRATION, BEFORE THE HOUSE COMMITTEE ON
SMALL BUSINESS, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY
ENTERPRISES AND GENERAL SMALL BUSINESS PROBLEMS, CONCERNING THE
8(a) PILOT PROGRAM. MAY 15, 1985

Mr. Chairman and Members of the Subcommittee:

It is a pleasure to appear before you today to discuss FAA's experience with the 8(a) pilot program. Over the past 16 years, the Federal Aviation Administration (FAA) has strongly supported the minority business goals of the Department of Transportation (DOT) and the Small Business Administration (SBA), having awarded \$517.5 million from 1972 through 1984. We believe our record in terms of finding truly meaningful ways of moving minority business into the mainstream of our safety and productivity activities measures up to that of any agency in the government. Our approach to the DOT/SBA 8(a) pilot program is consistent with our past performance. We proposed a strategy, which the Office of the Secretary of Transportation (OST) and SBA staff accepted, that strongly supports this program while continuing our commitment to safety and efficiency of the National Airspace System (NAS) and the modernization of the air traffic control system.

Our starting point was a review of the near and mid-term portions of the National Airspace System Plan, which outlines the modernization of the Air Traffic Control System from 1982 through 2000. In conjunction with the Office of the Secretary

of Transportation and the SBA staff, FAA officials identified a package of NAS plan programs which constitutes the FAA's participation in the DOT/SBA 8(a) pilot program. These projects meet the standards of that program by being technically sophisticated, nontraditional, high-dollar value procurement opportunities. It is particularly valuable for the DOT/SBA 8(a) pilot program that equipment introduced into the U.S. National Airspace System is at the "cutting edge" of technology in most areas, and three of the projects carry with them substantial international commercial potential. Specifically, the package of programs consists of approximately one-third of the Radio Control Equipment (RCE) project; the Direction Finder project; the small airports' Remote Maintenance Monitoring project for the Instrument Landing System; and one-half of the Automated Weather Observing System (AWOS) project. This package, which initially totaled \$139 million, now costs out at approximately \$179 million, an increase of 29%.

With these projects identified up front, SBA then selected the potential 8(a) contractors. We are proceeding to execute the multi-year effort beginning with the award of a contract in September, 1984, with Sonicraft Inc., a minority firm in Chicago, for preparatory work on the Radio Control Equipment Program. Equipment procured under the program will be used to control and monitor equipment used by air traffic controllers to communicate with pilots.

The current status of the FAA's pilot 8(a) contracts is as follows:

A contract was awarded to Sonicraft Inc. for Phase I of its portion of the Radio Control Equipment (RCE) program, consisting primarily of field site surveys. The contract was an unpriced "letter" contract, and negotiations will soon commence to price it. The expected range is in the neighborhood of \$1.5 million. The remainder of Sonicraft's portion of the RCE program is included in a Request for Proposals, for which Sonicraft is preparing a response. We expect to award the second Sonicraft contract--estimated at \$42 million--at the same time as a companion contract resulting from competitive solicitation, which is now expected to be awarded in the first quarter of calendar year 1986. This 6-year contract requires the contractor to design, fabricate, and test five RCE modules and provide a micro processor. As one of the two prime contractors, Sonicraft will also support systems design, integration, test and field installation.

A contract was awarded to Amex Systems Inc. for the Automated Weather Observation System (AWOS) program. The systems to be developed under the contract will automatically gather weather data--such as wind speed and

direction, temperature, dew point, visibility, and ceiling--through sensors located around an airport and relay this information to pilots via computer generated voice messages. Phase I was awarded to Amex last October, for \$1.5 million. Phase II, for limited production, and Phase III, for full production of approximately 200 systems, are expected to total about \$40 million. Amex has encountered an estimated 50% cost overrun on Phase I, and a technical audit is currently being performed to contribute to a decision as to whether or not to fund the overrun. Moreover, SBA has advised AMEX that a series of contracts from various agencies were improperly awarded by SBA because of improper size standards application. FAA is reviewing this situation.

A \$420,000 contract was awarded to Systems Applied Sciences Corporation (SASC) for Phase I of the VHF Direction Finder program which is the design of new solid state direction equipment that will enable air traffic controllers to more quickly locate and guide lost aircraft, by permitting them to call up location information on computer displays. Work is proceeding well on Phase I. Phases II and III will be defined in the next 2 years, and the awards for these two phases are expected to total \$40 million.

A proposal is currently being solicited from New Bedford Panoramex Corp. for the Remote Maintenance Monitoring project for the Instrument Landing System (RMM/ILS) program. The two year total for this project will be about \$45 million. We expect to award the contract in September.

Our experience has been that some problems have arisen and will likely arise both in the pre-award and post award activities of the pilot 8(a) contracts. This is typical of most procurements, however, and should not be construed as an indication of failure of the pilot 8(a) program. There have also been some problems arising from the nature of the overall 8(a) program. For example, the lack of competition associated with the program has resulted in some increased costs to the government.

At FAA, the 8(a) pilot program has been incorporated into our matrix management organizational structure. The program managers are located in our Program Engineering and Maintenance Service and draw upon the various other offices and services for support in carrying out their programs. To date, we have not found that progress under the four pilot 8(a) programs has impeded our acquisition objectives. As the contracts are carried out, we will gain a better understanding of whether SBA has done a good job of selecting particular contractors for specific projects.

To sum up FAA's position, we are proud of the record we have achieved through our vigorous efforts under the pilot 8(a) program, and we look forward with great anticipation to the fulfillment of these contracts.

That completes my prepared statement, Mr. Chairman. I would be pleased to respond to your questions at this time.