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SECURITY SCREENING PILOT EVALUATION STUDY

BACKGROUND

Chairman Lott, Ranking Member Rockefeller, and other distinguished members of the Subcommittee, thank you for the opportunity to discuss BearingPoint's evaluation of the Transportation Security Administration (TSA) private screening pilot program¹. I led the evaluation team on this effort. Today, I would like to present the key observations and findings from this report.

By way of background, BearingPoint, Inc., is one of the world's leading management consulting and system integration firms. We employ over 16,000 people worldwide and fulfill the needs of over 2,100 clients. Over three years ago we separated completely from KPMG LLP, the tax and audit firm, and in February of 2001, we became a publicly held corporation.

As you are aware, the Aviation and Transportation Security Act (ATSA) charged TSA with responsibility for evaluating federal and private security screening operations performance, without specifying metrics or methods to be used in a performance evaluation. TSA selected BearingPoint, Inc., in October 2003 as an independent evaluator to determine the comparison metrics and conduct a scientifically sound assessment of federal and private contractor screening operation performance.

BearingPoint, working with Abt Associates, Inc., developed an impartial process for analyzing current private contractor and federal screening operations performance. Beginning in October 2003, we reviewed over 90 data sources, informational documents and metrics to determine the evaluation criteria, appropriate measures and study methodology.

The evaluation team developed three criteria to compare the performance of private screening operations to federal screening operations. Those criteria are: security effectiveness, cost, and customer and stakeholder impact. For each of the criteria, we identified quantitative measures to compare performance. The criteria, measures, and study methodology were reviewed and approved by TSA in November of 2003.

We conducted the evaluation from December 1, 2003 through March 19, 2004. During the planning and evaluation period, our team made 29 airport visits, conducted over 240 interviews with federal and private sector personnel involved in screening operations, held forums with external stakeholders, collected data related to screening operations, conducted statistical analysis, and developed the findings.

On March 23, 2004 we presented our preliminary findings to TSA. The agency had a two-week period to review the report findings. During those two weeks, BearingPoint reviewed and responded to over 170 comments from TSA officials concerning the content of the report. As a result of those comments, the evaluation team made minor clarifications and added more explanatory text and analysis regarding the assumptions underlying our cost model. However, none of the comments resulted in a change to the findings. BearingPoint documented each of TSA's comments and our responses, and submitted that as part of our final deliverable.

¹ The five airports in the pilot program are: San Francisco International, CA (SFO), a Category X airport; Kansas City International, MO (MCI), a Category I airport; Greater Rochester International, NY (ROC), a Category II airport; Jackson Hole, WY (JAC), a Category III airport; and Tupelo Regional, MS (TUP), a Category IV airport.

CONTEXT

The findings of this study must be viewed in light of five key factors.

- First, the study is best understood as a comparison of government delivery of screening services to delivery by a public/private hybrid. The private screening environment is not a pure privatization model. The contractors follow TSA's screening operating procedures and not their own approaches. Moreover, in the private screening operations, each of the three evaluation criteria above is influenced by decisions made by federal oversight and management. Therefore, the team was not able to discern in many cases whether the performance level is due to the private contractor or federal oversight staff at the privately screened airport.
- Second, the design of the private screening program severely limits the opportunity for differences in the two models. The program was designed to ensure that factors driving security effectiveness and cost were similar in the two models. However, the private screening operations were granted some latitude in the execution of their responsibility to provide screening services, and the exercise of that latitude does reveal itself in the comparison.
- Third, the period in which the study was conducted provided several challenges. The program's 15-month existence, from November 19, 2002 to February 28, 2003, was not a steady state environment in which to conduct the study. This period involved a start-up phase for both TSA and the private contractors and a significant workforce adjustment at the midpoint.
- Fourth, the airports selected for the program are small in number (5) and were chosen to provide variation in size, passenger type, and other characteristics. The TSA had little discretion in this area as the number of airports in the pilot program was limited by statute. The fact that these airports were not chosen at random and the small number of pilot airports seriously limits the program's usefulness as a true scientific "pilot." While the team had sufficient data to measure and compare performance, the program design limits the ability of the findings to be generalized and extrapolated. Therefore, the program design limits the ability of the findings to be generalized to apply to future privately screened airports.
- Finally, the data available for review and analysis is limited. No historical baseline exists for the comparison. Because screening procedures, equipment, and screener compensation and training are vastly different today than they were in the pre-TSA environment, a useful baseline is not available for the five privately screened airports. In addition, TSA's financial management, human resources, and performance management systems were still evolving during the period studied.

The ability to generalize conclusions from our study and apply them to any future expansion of privately screened airports is limited by the factors cited above.

QUANTITATIVE FINDINGS

In the areas of security effectiveness and customer and stakeholder impact, the study compared the performance of each privately screened airport to a set of comparable federally screened airports. A determination was made as to whether the airport outperformed, under-performed, or performed at the same level as its federal counterparts. In the area of cost, the study compared the actual cost of screening

at a privately screened airport to an estimate of what it would have cost the government if TSA had provided screening personnel at the same airport.

In general, our team found that privately screened airports have met the ATSA standard to perform at the same level or better than federally screened airports. The statistical analysis provided no evidence that they are not meeting the ATSA standard.

Findings in each of the three criteria areas are as follows:

- In the area of security effectiveness, there is no evidence that any of the five privately screened airports performed below the average level of the federal airports. However, there is credible evidence that Kansas City is outperforming the average level of its federal counterparts.
- In the area of cost to the government, costs for the five privately screened airports were not significantly different from the estimated cost of a federal screening operation at that same airport.
- In the area of customer satisfaction, performance of the privately screened airports compared to the federally screened airports was mixed in Categories X and I, and inconclusive in Categories II, III, and IV.² A qualitative survey of stakeholders revealed no difference between privately and federally screened airports.

Findings for each of the five privately screened airports are as follows:

- At San Francisco, a Category X airport, there is no evidence that it is different than federally screened airports within its category in security effectiveness. In the area of cost, the estimated cost of screening conducted by a federal workforce was not materially different than the cost of private screening at that airport. There were mixed results on customer satisfaction when compared to its federal counterparts. Passengers had less confidence in the security process but experienced shorter wait times.
- There is evidence that Kansas City, a Category I airport, is outperforming federally screened airports within its category in security effectiveness. In the area of cost, estimated costs of screening conducted by a federal workforce were higher than the costs experienced with contractors. However, these differences are within the range of prediction error and the team is unable to conclude with certainty that the cost of federal screening would have been higher at this airport. There were mixed results on customer satisfaction when compared to its federal counterparts. Passengers experienced more thorough screening and shorter wait times, but less overall customer satisfaction.
- At Rochester International (ROC), a Category II airport, Jackson Hole (JAC), a Category III airport, and Tupelo Regional (TUP), a Category IV airport, the limited evidence available does not show differences in the area of security effectiveness. In the area of cost, the estimated cost of screening conducted by a federal workforce was not materially different than the cost of private screening at these airports. In the area of customer satisfaction, there was not enough data available to support any conclusion.

² Sufficient customer satisfaction data was unavailable for Categories II, III, and IV.

QUALITATIVE FINDINGS

BearingPoint developed a number of qualitative observations regarding the strengths of both the federal and private contractor screening operations. The observations are a result of the field interviews conducted at the privately screened and federally screened airports visited.

TSA allowed the private contractor screening companies some latitude in their implementation of security screening operations. TSA termed this latitude the “degrees of freedom.” As a result of variations in the contractors’ implementation of these degrees of freedom, strengths in the federal and private contractor screening models were observed.

The private screening company’s contract vehicle also contributes to differences in the two models. The private contractors have contractual obligations such as performance award fees, which the federally screened airports do not. The contract vehicle requires the private screening companies to uphold the same standard of security effectiveness as their federal counterparts, yet at the same time, it provides contractors a financial incentive to do so. TSA used cost plus contracting structures to allow for flexibility in an uncertain operating environment.

In addition, the hybrid management structure, where the Federal Security Directors (FSDs), their staff, and the contractors play a role in the screening operations, distinguishes the private screening airports from their federal counterparts. The FSD and staff at privately screened airports are required to assume additional responsibilities and perform different roles than those required at federal screening airports. This too creates strengths in the two models. Several strengths of each screening model are provided below.

FEDERAL SCREENING MODEL STRENGTHS

- **Fewer Layers of Management** – Because there is no contractor interface between the FSD staff and the screener, the federal screening model has fewer layers of management thereby supporting faster and more efficient communication between management and the screener workforce. In the federal model, the FSD does not have to work through the contractor management team to address issues with the screener personnel. These issues include scheduling, staffing, employee behavior and attendance. In the federal model, the FSD has direct control of the screener workforce.
- **Roles and Responsibilities are Clearly Defined** – The federal model provides a clear chain of command with little overlap of managerial responsibilities. However, under the private contractor model, certain roles and responsibilities are replicated within the FSD staff and the contract screening company. For example, both TSA and the contractor are providing supervision of screening personnel at the privately screened airports.
- **Ability to Shift Resources within the Hub/Spoke System** – Certified federal screeners are authorized to perform screening duties at any federal airport regardless of location. Conversely, private contractor screeners, under the current policy, may not perform screening duties at federal airports. The ability to deploy screener resources to different airports allows the FSD to address staffing shortages and unanticipated circumstances that affect security-screening operations.

PRIVATE SCREENING MODEL STRENGTHS

- **More Flexibility in Scheduling Screeners** – Private screening companies have the ability to schedule screening resources in a manner that best supports the screening operation. For example, the private contractors can split shifts as many times as is necessary to meet the peak

passenger volume flow experienced at a particular airport. Conversely, the schedule for a federal screener can be split no more than once during the course a workday.

- **More Efficient Use of Personnel to Perform Non-Screening Functions** – Private contractor screening companies have the latitude to use less expensive resources to fulfill certain non-security related tasks. Due to a lack of TSA-authorized administrative support personnel at the federal airports, many FSDs have had to use screener personnel to perform administrative tasks such as HR and payroll support. In some cases, FSDs have used screeners that were placed on light duty to perform these tasks, while in other cases certified screeners are removed from the operational job they have been trained to perform. Private contractors use less expensive administrative staff to perform these functions. In addition to administrative tasks, contractors are using less expensive resources to perform other non-security related functions. For example, one private contractor has made use of non-screening personnel for baggage handling to save costs. This reduces the need to have trained screeners perform non-screening tasks.
- **More Visibility of Operational Performance** – Due to the award fee criteria stipulated in private contractor security screening contracts, TSA headquarters and field staff monitor the contractors' screening performance closely. As a result of this increased visibility, operational issues at the private pilot airports draw attention more easily.

CONCLUSIONS

This study concluded that the privately screened airports appear to have met the ATSA standard that they must perform at the same level or better than federally screened airports. There is no evidence that these airports are not meeting the ATSA requirement.

However, the ability to generalize these conclusions to any future expansion of privately screened airports is limited by the non-random selection of the participant airports, the small sample size, the lack of a steady state environment, and the limited data available. The five-airport, non-random sample limits the precision of the study's findings. The data collection systems available are in many cases still evolving and were not designed to capture federal/private differences. Additionally, the number of observations for each measure was limited.

The study does not conclude that opening the degrees of freedom will lead to greater observed differences between privately screened and federally screened airports. However, allowing private contractors greater latitude in these areas *may* lead to differing levels of performance in each of the three criteria tested.

TSA may want to address several issues in any future decisions regarding private screening operations. If TSA desires a more robust comparison of private screening operations to federal screening, it should consider three steps: allow more flexibility at the private screening operations in a controlled manner; provide a larger, well-designed sample of airports; and improve its data collection systems.

Mr. Chairman, again, thank you for holding this important hearing today. I look forward to answering any questions you may have regarding this evaluation.