

46. Air Traffic Control

Congress should

- move air traffic control operations from the Federal Aviation Administration to a self-funded nonprofit corporation separate from the government.

The nation's air traffic control (ATC) system is currently operated by the Federal Aviation Administration (FAA). ATC is an increasingly high-technology industry, but we are still running it as an old-fashioned bureaucracy from Washington. The FAA is an inflexible and slow-moving agency, and it has a history of cost overruns and delays on major projects.

In recent decades, many nations have partly or fully separated their ATC systems from their governments. In 1996, Canada moved its ATC to a private nonprofit corporation, Nav Canada. That reform is the model for an FAA restructuring bill that passed the House Transportation and Infrastructure Committee in 2016.

Air traffic control reform is long overdue. Moving ATC operations out of the government would improve efficiency and spur innovation. The benefits would include shorter flight times, fewer delays, and lower fuel costs.

Management and Technology Failures

The FAA has struggled to modernize America's ATC system. It relies on 20th-century technologies, such as radar and voice radio, despite the development of newer technologies, such as satellite-based navigation. In a detailed study of the FAA's performance, Robert Poole of the Reason Foundation found that the agency is risk averse, is slow to make decisions, and mismanages procurement. It loses skilled people to private industry because of a lack of pay flexibility and frustration with the government work

environment. Poole found that the FAA “is slow to embrace promising innovations” and is “particularly resistant to high-potential innovations that would disrupt its own institutional status quo.” That is the opposite of what is needed in a dynamic technology-based industry.

Dorothy Robyn, a policy expert in both the Clinton and Obama administrations, examined ATC reforms in a Brookings Institution study. She concluded, “As a traditional government agency constrained by federal budget rules and micromanaged by Congress, the FAA is poorly suited to run what amounts to a capital-intensive, high-tech service business.”

Robyn argues that Congress has “long blocked large-scale consolidation of the FAA’s aging and inefficient facilities,” and it “micromanages FAA spending on investment and maintenance.” Members of Congress have intervened to save FAA jobs in their districts, and they have required the FAA to procure certain hardware.

These problems can be solved by separating ATC from direct federal control. Such a reform would solve the conflict of interest arising from the FAA both operating ATC and overseeing aviation safety. Splitting off ATC operations would increase transparency because hidden decisions now made internally within the FAA would be made public. Such a separation is recommended by the International Civil Aviation Organization.

In coming years, rising demands for air travel are expected to severely strain the FAA. Our airspace is getting more crowded, and our antiquated ATC is causing delays and wasting fuel. Transitioning to new ATC technologies would increase safety, while also raising airspace capacity and saving fuel by allowing aircraft to fly more direct routes. New technologies would also reduce the number of needed ATC facilities.

However, those benefits remain elusive because the FAA has struggled to upgrade its system. A 2012 Government Accountability Office report found that half of FAA’s major acquisition programs were behind schedule. A 2016 report from the Department of Transportation’s inspector general found that several critical programs “remain over budget and behind schedule due to overambitious plans, unresolved requirements, software development problems, ineffective contract management, and unreliable cost and schedule estimates.” The report also found that the FAA’s “total budget, operations budget, and compensation costs have doubled while operational productivity . . . has decreased substantially.”

Gains from Privatization

Dozens of nations have restructured their air traffic control systems to separate them from their government budgets. Canada privatized its system

in 1996 in the form of a self-funded nonprofit corporation, Nav Canada. That reform caught the eye of House Transportation and Infrastructure Committee chairman Bill Shuster (R-PA), who introduced legislation to transfer our ATC to a similar nonprofit corporation that would have a cost-based user fee structure.

The Canadian reform has been very successful. Nav Canada has won three International Air Transport Association (IATA) Eagle Awards as the world's best ATC provider. The IATA has said that Nav Canada is a "global leader in delivering top-class performance"; its "strong track record of working closely with its customers to improve performance through regular and meaningful consultations, combined with technical and operational investments supported by extensive cost-benefit analysis, place it at the forefront of the industry's air navigation service providers."

In Canada, funding was changed from a government ticket tax to direct charges on aircraft operators for services provided. Nav Canada revenues come from charges for flying through Canadian airspace and for terminal services at airports. Those cost-based charges are a more efficient way to price ATC services than the U.S. system, which is mainly based on ticket taxes.

Nav Canada is a private monopoly, so there might be concerns that its user charges would rise excessively. But that has not happened. Indeed, Nav Canada's real customer charges have fallen by one-third over the past decade, as efficiency has increased. The system is handling 50 percent more traffic than before privatization, but with 30 percent fewer employees, noted Robyn. One reason for the good performance is that airlines and other aviation stakeholders have seats on Nav Canada's corporate board, and those stakeholders have a strong interest in increasing both efficiency and safety.

Another advantage of privatization is innovation. Nav Canada is praised for its development of new technologies. Robert Poole noted, "the technical expertise at Nav Canada has led to a thriving business marketing innovative ATC hardware and software and advising other air navigation service providers." In a 2013 address, Nav Canada's chairman Nicholas Geer said that the company has "sold and installed our home-grown technology around the world from Australia to Hong Kong to Dubai, and all over the UK and Europe."

In testimony before the Senate Commerce Committee on May 19, 2015, the head of the U.S. National Air Traffic Controllers Association (NATCA), Paul Rinaldi, described some of Canada's advantages:

They have the air traffic controller, the engineer, and the manufacturer working together from conceptual stage all the way through to training, implementation, and deployment within their facilities. And what that does is it saves time and money. And they actually are developing probably the best equipment out there, and they are selling it around the world. And they are doing it in a 30-month to three-year time frame, when we have to look much longer down the road because of our procurement process in this country.

In 2016, the NATCA backed the Shuster bill to move our ATC into a nonprofit corporation. It may seem unusual that a labor union is supportive of such reforms, but the controllers are concerned that our system is not receiving the steady funding and advanced technology that is needed. A self-funded ATC would create more financial stability than the current system, which is buffeted by chaotic federal budget battles.

A 2009 study by Glen McDougall and Alasdair Roberts examined 10 partly or fully commercialized (or privatized) ATC systems in other nations. They looked at performance and safety data, and they interviewed users of the different systems. They found that, in general, service quality improved, safety improved, and costs were reduced in the commercialized systems.

A 2005 Government Accountability Office study looked at the performance of commercialized ATC systems in Australia, Canada, Germany, Great Britain, and New Zealand. It concluded that those systems had cut costs, invested in new technologies, and either maintained or increased safety under the reforms.

Reforms Are Long Overdue

Since the 1970s, numerous studies and commissions have recommended restructuring the U.S. air traffic control system. In the 1990s, for example, the Clinton administration proposed moving ATC from the FAA to a self-funded government corporation.

Today, the dominant reform model is the privatized Canadian system. Privatization would provide the flexibility, incentives, and funding needed for ATC managers to increase efficiency and pursue innovation. Innovation is the key to reducing flight times, increasing airspace capacity, and cutting fuel costs.

In an October 18, 2015, interview in the *Wall Street Journal*, the head of Nav Canada, John Crichton, was blunt: “This business of

ours has evolved long past the time when government should be in it. . . . Governments are not suited to run . . . dynamic, high-tech, 24-hour businesses.”

Suggested Readings

- Department of Transportation, Inspector General. *FAA Reforms Have Not Achieved Expected Cost, Efficiency, and Modernization Outcomes*. Washington: Government Printing Office, January 15, 2016.
- Edwards, Chris. “[Reforming Air Traffic Control](#).” Cato Institute Tax and Budget Bulletin no. 74, February 17, 2016.
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- McDougall, Glen, and Alasdair Roberts. “[Commercializing Air Traffic Control: Have the Reforms Worked?](#)” *Canadian Public Administration* 51, no. 1 (2009): 45–69.
- Poole, Robert W. *Organization and Innovation in Air Traffic Control*. Washington: Hudson Institute, November 2013.
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