

Privatize the FAA!

Posted By [Chris Edwards](#) On 4:48 PM 04/24/2013 In Opinion | No Comments

The federal budget sequester is interfering with the air traffic control (ATC) system and snarling up air traffic. As usual, politicians are pointing fingers of blame at everybody but themselves. But politicians are the ones who have strapped the ATC system to the chaotic federal budget. And they're the ones who have insisted on running ATC as a bureaucracy, rather than freeing it to become the high-tech private business that it should be.

The government wouldn't be very good at running Apple Computer, and so it's no surprise that the Federal Aviation Administration (FAA) has major problems running the computer-intensive ATC business. To run smoothly and efficiently, our ATC system should be given independence from the government. We should privatize the system, as Canada has done very successfully.

The sequester mess is just the tip of the iceberg regarding the FAA's problems. The agency, for example, has struggled with a big upgrade to its air traffic management system called NextGen. The upgrade will need a high degree of technical and management effectiveness to succeed. It's not clear that the FAA is up to the challenge given its long history of screw-ups on technology projects.

Last year Bloomberg reported: "More than one-third of the 30 contracts critical to building a new U.S. air-traffic system are over budget and half are delayed, a government audit concluded. Eleven of the 30 contracts underpinning the so-called NextGen system exceed projected costs by a total of \$4.2 billion, according to a Government Accountability Office report released today. Fifteen of the contracts are behind schedule by an average of four years, the GAO report said."

The FAA has long been plagued by such problems. Privatizing the FAA would give leaders of the ATC system the flexibility they need to improve on such dismal performance. Independence from the federal budget would also allow for improved financial management and the ability to expand revenues steadily as the demand for ATC services grows.

Canada provides an excellent model for U.S. reforms. Canada's ATC system is run by the nonprofit corporation Nav Canada, which is separate from the government. Like any private business, it raises revenues from its customers to cover its operational costs and capital investments. The company's financial statements for 2012 show revenues and expenses of \$1.2 billion, with \$125 million allocated to capital expenditures. Unlike the U.S. system, Nav Canada is self-supporting and not subsidized.

The 1996 privatization of Canada's ATC system replaced a government ticket tax with direct charges on aircraft operators for services provided. Nav Canada's \$1.2 billion in revenues comes from charges for en route and terminal services. Thus, airlines get charged for flying through Canadian airspace and for landing at Canadian airports. For example, an airline flying

an Airbus A330 from New York to Frankfurt through Canadian airspace would be charged \$1,756.

A privatized U.S. ATC system would be able to raise the revenue it needed to fund its operations free of the central planning that comes from politicians. As a private company with a monopoly, there would be a concern that the costs and charges of a privatized FAA would rise excessively. But that has not happened in Canada. Indeed, Nav Canada's customer charges have actually risen more slowly than inflation over the past decade.

With privatization, people might also be concerned about transparency in such an important activity as air traffic control. But Nav Canada publishes many reports detailing its financial and operational metrics. For example, it publishes an in-depth annual safety plan, and it is proud to be in the top 10 percent of ATC systems worldwide for safety.

Nav Canada also has a good record on developing new technologies. According to the company's chairman, it 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."

Nav Canada is a "global leader in delivering top-class performance," says the International Air Transport Association (IATA). Indeed, the company has won the IATA Eagle Award three times. The IATA notes: "This is the third Eagle Award for Nav Canada, following previous awards in 2010 and 2001. 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."

America has always been a global leader in aviation, which makes it all the more unfortunate that we are stuck with a backwards, government-run ATC system. We should have the best ATC system in the world, so it's time to privatize the FAA and give the Canadians some competition for all those prestigious Eagle Awards.

Chris Edwards is the editor of the Cato Institute's www.DownsizingGovernment.org.
