

ATC—the case for change



Airliners wait their turn for clearance for departure from IAH (Intercontinental, Houston, TX).

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This is a true story. More than 25 years ago, a company pilot diverted from a landing at CGX (Meigs, Chicago IL) to MDW (Midway, Chicago IL) due to excessive crosswinds at Meigs Field. As he got out of the aircraft, the CEO turned to the pilot and said, “Sell the airplane—you’re fired. I can fly to Midway on the airlines.”

Times may have changed, but if business aviation cannot deliver its unique product where and when it wants, it will die.

ATC communications are no different today than when we started flying 50 years ago—this despite enormous changes in technologies both in the aircraft and on the ground. Pilots have very little information in the cockpit concerning the location of other aircraft, despite there being thousands more of them in the sky than there were 50 years ago. Similarly, except for some changes in vertical distances, aircraft separation standards have not changed materially in this same time. We still have a system of someone on the ground telling pilots where to fly.

FAA reports that 2006 was the worst year in history for delays, and projects that 2007 will be even worse. The press reports horror stories of people sitting on aircraft for 15 hours, unable to reach a runway or a gate. In short, we have an ATC system that is operating at overload with inadequate capacity for the demands placed on it. Unless dramatic changes are made, both airport capacity and airspace capacity will be restricted or, more likely, rationed.

Many of us can recall FAA’s infamous General Aviation Reservations (GAR) program in the aftermath of the 1981 controllers’ strike. Under the GAR, air carriers were given preference to GA, which was allocated airspace slots in individual ARTCCs. Operators were required to obtain a reservation before filing a flight-plan. Since that time, FAA has made various attempts to allocate capacity, such as the High-Density Rule and the Airline Scheduling Committee.

Today’s traveling public is exasperated by delays. Unless dramatic actions are taken to improve capacity with a modern ATC system, FAA will be obliged to impose regulatory constraints similar to the GAR, with preference going to air carriers. Worse still, Congress

may step in by legislating capacity preferences. Likewise, airports will be given greater latitude to allocate capacity by either slots or price, as is done in Europe. The net result will be a loss to business aviation of many of the advantages which have contributed to the growth of the past decade or more.

In 2003, Congress created the Joint Planning & Development Office (JPDO) to plan for and coordinate the transition to NextGen. The JPDO has estimated the cost to the US economy of not expanding the system’s capacity as \$40 billion per year by 2020.

FAA lacks the resources to modernize the system. A Heritage Foundation paper reveals that the great majority of the agency’s budget (nearly 2/3 of which is for the ATC system) comes from aviation excise taxes. And the lion’s share of that tax revenue comes from the 7.5% tax on the price of airline tickets (as well as on the hourly charges for charter and fractional jet services). The long-term trends of declining ticket prices (due to increased market share for low-cost carriers) and increasing air traffic (due to carrying a given number of passengers in a larger number of smaller-size planes) have put a very serious squeeze on ATC funding. The labor-intensive, “humancentric” ATC system consumes most of the available budget as payroll costs. Funding for capital investment ends up getting squeezed. In both fiscal 2005 and 2006, FAA’s budget for facilities and equipment was reduced by \$500 million below the levels authorized.

The FAA Research, Engineering and Development Advisory Committee estimates a need for an extra \$1 billion per year over the next 20 years to modernize the system.

FAA does not have the political ability to streamline the controller workforce and automate routine ATC. Nor can the agency easily consolidate facilities or locate them in the most efficient or cost-effective locations. It is absurd to think that a controller must physically be in Atlanta to control Atlanta airspace.

Governance is the problem. The FAA governed by Congress has proven it doesn’t have the ability to run a business—especially a large high-tech business like ATC. This has nothing to do with the managers, but everything to do with governance.

Both writers are Washingtonians and remember well the mess that DCA (National, Washington DC) and IAD (Dulles, Washington DC) used to be. Until 1986, both of these airports were FAA-run—the only commercial service airports in this position. Their budgets were line items in the overall FAA budget, appropriated by

Congress. Facilities were antiquated, and capital improvement funds competed with federal funding for social programs, disaster relief, wars, highways and pork projects in every congressman's district.

When these airports were leased to a new entity—the Metropolitan Washington Airports Authority (MWAA)—a metamorphosis occurred almost overnight. MWAA could raise funds in the capital markets. The managers were almost all the same FAA employees that ran the airports as federal employees, but now, freed of the shackles of government, they took on the role of high-tech entrepreneurs. Wall Street came calling with offers of billions of dollars. Today, these airports are modern marvels.

We are seeing today a similar debate in Congress about how to fund FAA, of which ATC is the largest component. We believe that this debate should not even be taking place. Government should regulate but not operate. To our dismay, the GA trade associations are fanning the flames, and playing "Chicken Little" with cries that the sky is falling. This may help recruit and retain members, but in our opinion it does little or nothing to solve the problem.

For some reason the very words "user fees" send the presses, letter campaigns and phone lines at the GA alphabet groups into high gear. We've been paying a user fee for years—it's called a tax. The problem with taxes is that they are paid to the US Treasury, and Congress decides how those funds should be spent.

All the angst from the GA alphabet groups—AOPA, GAMA, NATA, NBAA—is slightly puzzling. Cries that the industry will be badly crippled if direct user fees are imposed on users of the ATC system seem unwarranted. Even the worst fees that have been suggested (not by FAA but by a fearful AOPA) pale when compared with the increase in fuel prices over the past 10 years. Yet the market for new aircraft is booming, and the number of hours flown keeps increasing.

On the business jet side, the cost of the average catering order far exceeds worst-case user fees. As the Wendy's ad said, "Where's the beef?" If user fees come to pass, does anyone think gourmet catering will be replaced by hamburgers? The increased price of any GA airplane has far exceeded the inflation rate, yet we see sales records set every year. Even the tragedy of Sep 11 did not slow down production.

The economy will always be the biggest driver, or barometer, for aircraft sales and usage. The age of the fleet, new technologies—and, most of all, the dismal experience that airline travel is today—are what will determine GA growth.

If system capacity is not fixed, the impact on GA may be the biggest driver of all, and a driver in a downward direction. Airplanes provide speed and comfort. If the time to get from point A to point B increases dramatically, and the time spent inside the aircraft on the ground waiting for a clearance starts to equal the projected flight time, GA will be the loser.

Today, Congress acts as the board of directors for the Air Traffic Organization (ATO). The FAA Administrator is the CEO. Until this past winter, Russ Chew was ATO's first and so far only COO, and the only officer entirely focused on ATC. The board (Congress) and CEO (FAA Administrator) have many other responsibili-



(L-R) AOPA Pres Phil Boyer, ATA Pres & CEO James May, Cargo Airline Assn Pres Stephen Alterman, HAI Pres Matt Zuccaro, NBAA Pres & CEO Ed Bolen and RAA Pres Roger Cohen during FAA's proposed budget for FY08 on Mar 21 congressional hearing.

ties. And to say that this model is highly politicized is an understatement.

Any true business understands the cost of its service, and charges for that service at a rate designed to produce a return on investment and produce a surplus that will cushion the business in lean times. This is not the case with ATO. Billions have been paid to FAA for ATC services that include research and development, and billions have been wasted on failed programs (eg, LAAS, MLS, STARS).

Wall Street would never stand for this. Instead, every capital investment would be subjected to a review that would show how the funds would be repaid and whether user benefits exceeded costs. Why should ATC be any different? Why should taxpayers stand for this? Why should business aviation be relegated to being second-class citizens? Why should airline passengers be subjected to more delays and inconveniences while locked in a tube?

There is a better way—an ATC system freed from the tangles of government, governed by a board made up of stakeholders, and funded directly by the users. This is the way it is done in every non-third-world country except the US. Look north to Canada, where NavCanada is just such an organization. In many ways NavCanada's technology is more advanced than the US ATC. The cost to the user is 22% less than it was when NavCanada was formed and assumed ATC responsibilities from the Canadian government 10 years ago. NavCanada has built reserves and been able to keep rates 10% below the inflation rate through economic downturns and the aftermath of Sep 11.

The sky may in fact fall on us all—business aviation, private pilots, the airlines, and even the military—in the form of intolerable congestion and delays if the system is not changed. The military and the airlines will receive priority treatment—the rest of us will get what's left. New high-tech systems will not be developed in time, nor will the operation or administration of NextGen be possible without a change in governance. ✈



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