

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE DEMOCRATS

Rep. Peter DeFazio, Ranking Member
www.democrats.transportation.house.gov/ATCPrivatization
February 10, 2016

DEMOCRATIC SUMMARY OF SUBJECT MATTER

TO: Interested Parties
FROM: Democratic Staff, Subcommittee on Aviation
RE: Full Committee Hearing on “Review of ATC Reform Proposals”

The Committee on Transportation and Infrastructure will meet on Wednesday, February 10, 2016, at 10 a.m. in room 2167 of the Rayburn House Office Building to hold a hearing titled, “Review of ATC Reform Proposals”. This memo provides background on the subject matter of the hearing, which will focus on the Majority’s controversial proposal to privatize the Federal air traffic control system.

A citizen of the United States has a public right of transit through the navigable airspace.
- 49 U.S.C. § 40103(a)(2)

Table of Contents

I. BACKGROUND.....	2
II. STAKEHOLDER OPPOSITION OUTWEIGHS SUPPORT	2
A. Summary of Opposition to ATC Privatization in AIRR Act	3
B. Overview of the Republican Proposal and Its Context.....	3
C. Financing Under the Republican Proposal Versus Current Model	6
1. Current Financing Model for Air Traffic Control.....	6
2. FAA Funding Under the AIRR Act, H.R. 4441.....	6
D. Employees	7
E. Global Context.....	8
1. International Comparisons.....	8
2. Privatization: Exception to the Rule.....	9
F. Stakeholder Views on Air Traffic Control in the United States.....	11
G. Prior FAA Reforms	11
WITNESSES.....	14
APPENDIX	15

I. BACKGROUND

This year marks the 30th year since American Airlines’ annual report to shareholders first described the airline industry’s proposal to privatize our taxpayer-funded air traffic control system. The industry regarded the proposal as an opportunity to reduce airlines’ costs and give airlines greater control over the Nation’s airways. But the proposal failed to gain traction in 1986 and failed again when it resurfaced in the 1990s because aviation stakeholders could not reach agreement on important details such as how responsibility for financing the system would be fairly distributed among passenger and cargo airlines and general aviation operators. The Committee yet again is considering a version of the airline industry’s proposal, this time in title II of H.R. 4441, the “Aviation Innovation, Reform, and Reauthorization Act of 2016” (AIRR Act), the Federal Aviation Administration (FAA) reauthorization bill introduced by Chairman Shuster and Aviation Subcommittee Chairman LoBiondo on February 3. The Committee is scheduled to mark up the bill on February 11. Ranking Member DeFazio will likely offer an amendment that strikes the bill’s privatization of air traffic control (title II) and includes targeted reforms of the FAA that would address the issues raised by aviation stakeholders associated with unstable funding and the FAA’s flawed procurement and personnel management processes.

II. STAKEHOLDER OPPOSITION OUTWEIGHS SUPPORT

The proposal in H.R. 4441 to privatize the FAA’s air traffic control programs is controversial among aviation stakeholders, as reflected in the table below. Bipartisan House and Senate appropriators also steadfastly opposed the plan in letters last month to House and Senate leadership.

Supporters versus opponents of air traffic control privatization

Supporting	Opposing
Airlines for America (A4A)	Delta Air Lines
National Air Traffic Controllers Association (NATCA)	Air Line Pilots Association (ALPA)
	National Business Aviation Association (NBAA)
	Regional Airline Association
	Professional Aviation Safety Specialists (PASS, representing aviation safety inspectors and technicians)
	National Air Transportation Association
	National Consumers League
	Alliance for Aviation Across America
	Working Partnerships USA
	Center on Policy Initiatives
	In the Public Interest
	Americans Against Air Traffic Privatization

**Updated as of the morning of 2/10/16, see the back of this packet for an up-to-date list of opposition*

A. Summary of Opposition to ATC Privatization in AIRR Act

Opponents of the privatization proposal in the AIRR Act argue that the proposal:

- **Hands over, to a private corporation, billions of dollars' worth of assets that American taxpayers have bought and paid for.** Taxpayers have invested \$53.5 billion in these assets since just 1996. The proposal would be unprecedented in handing over taxpayer-purchased air traffic control facilities and equipment to a private company. Canada received \$1.5 billion from Nav Canada and the United Kingdom received \$1.3 billion from NATS UK when those systems were privatized. Other governments, even those that have separated their air traffic control systems from safety regulators, own air traffic control assets.
- **Disrupts all FAA programs and fails to solve the most significant problems facing the aviation system.** By splitting the FAA in two, the proposal would leave critical FAA safety programs, including programs to certify new aircraft and equipment and to conduct robust safety oversight of the airline industry, subject to year-to-year funding uncertainty. These safety programs would be reliant exclusively on the General Fund of the Treasury for funding.

Puts air traffic control and taxes under the control of airlines. Four of the corporation's 11 directors would be appointed unilaterally by an airline trade association, raising the possibility that the corporation's strategic decisions would be designed to benefit an industry that already is under criticism for anticompetitive practices. As Richard Anderson, CEO of Delta Air Lines, posited in a recent letter to Chairman Shuster and Ranking Member DeFazio, "[W]ho will look out for the public interest after privatization?"

B. Overview of the Republican Proposal and Its Context

Full privatization. The proposal creates the "ATC Corporation", a private, tax-exempt, nonprofit corporation, to assume responsibility for providing air traffic control services and implementing modernization programs by fiscal year (FY) 2020.¹

Rationale. Proponents of privatization say it will cure two ailments of the aviation system: the instability of funding for aviation programs and the FAA's well-documented challenges in implementing the set of modernization programs that constitute the Next Generation Air Transportation System (NextGen).

- **Unstable funding.** The air traffic control system, including NextGen programs, is funded mostly by revenues deposited into the Airport and Airway Trust Fund from the domestic airline ticket tax and other excise taxes,² with a modest General Fund

¹ "Aviation Innovation, Reform, and Reauthorization Act of 2016," H.R. 4441, § 211 (114th Cong. 2016) (hereinafter "AIRR Act").

² The excise taxes and rates are as follows: (1) 7.5 percent domestic airline ticket tax; (2) domestic flight segment tax of \$4 per passenger per segment; (3) 7.5 percent ticket tax on tickets for itineraries beginning or ending at rural airports; (4) \$17.50-per-passenger arrival and departure tax for passengers on international flights; (5) \$8.70 international facilities tax plus domestic tax on tickets for flights between the continental United States and Alaska or Hawaii; (6) 7.5 percent frequent flyer tax on frequent flyer mileage redemptions; (7) 6.25 percent tax on amount paid for transportation of air cargo; (8) \$0.193-per-gallon tax on aviation gasoline or \$0.218-per-gallon tax on jet fuel, plus a \$0.14-per-gallon tax on fuel for aircraft operated under fractional ownership; and (9) commercial fuel tax of \$0.043 per gallon. 26 U.S.C. §§ 4041(c), 4043, 4081,

contribution providing a small amount of supplementary funding (projected to be about 7 percent of total FAA funding in fiscal year 2017). The FAA and the authorities to continue collecting excise taxes have been subject to 24 short-term extensions of FAA authorizations since 2007, mandatory budget sequestration, a partial shutdown of the FAA in 2011 after a lapse in authorizations, and a lapse in appropriations in 2013 that caused a government-wide shutdown. The Government Accountability Office (GAO) reported last year that budget uncertainty resulted in sporadic harms to aviation programs and the FAA's ability to make long-term capital investment decisions, some quantifiable and others not.³

- **Delayed modernization programs.** The FAA will have invested \$18 billion in taxpayer funds for NextGen programs through 2018.⁴ Although the FAA has made promising progress recently toward implementation of several key NextGen technologies,⁵ proponents of privatization say a privatized air traffic services provider would implement NextGen programs more efficiently because it would not be subject to unpredictable funding or government procurement rules. Opponents of privatization argue that separating air traffic control modernization programs from within the FAA will reinstate agency stovepipes, delay current projects, and jeopardize future implementation.

Conveyance of Federal assets without payment. The proposal in H.R. 4441 would require the Secretary of Transportation to “convey, without charge, all right, title, and interest of the United States in, and the use, possession, and control of,” all FAA air traffic control facilities and equipment necessary for operation of the air traffic control system.⁶ The ATC Corporation may sell these assets for cash.⁷

Neither the U.S. Government nor any auditing organization has assessed the value of the air traffic control facilities and equipment that the ATC Corporation would receive free of charge, but, since 1996, American taxpayers have invested a total of \$53.5 billion in FAA facilities and equipment.⁸ The two governments that privatized their much smaller air traffic control systems – Canada and the United Kingdom – each received compensation for public air traffic control assets transferred to the private sector (\$1.5 billion and \$1.3 billion, respectively).⁹

Uncompensated conveyance of such a valuable and substantial portfolio of government assets is unprecedented in modern times. Independent studies of how air traffic control privatization might be structured in the United States do not contemplate the possibility that Federal assets would be conveyed to a private air traffic control provider at no charge. In fact, the Department of Transportation Inspector General observed in a report issued last year on the subject that,

4261, 4271; Fed. Aviation Admin., *Airport and Airway Trust Fund Fact Sheet* (2015), available at https://www.faa.gov/about/office_org/headquarters_offices/apl/aatf/media/AATF_Fact_Sheet.pdf.

³ Gov't Accountability Office, *Aviation Finance: Observations on the Effects of Budget Uncertainty on FAA*, Rpt. No. GAO-16-198R (2015).

⁴ See Gov't Accountability Office, *Next Generation Air Transportation System: FAA Has Made Some Progress in Midterm Implementation, but Ongoing Challenges Limit Expected Benefits*, Rpt. No. GAO-13-264 (2013).

⁵ See, e.g., *id.*

⁶ AIRR Act, § 211 (codifying 49 U.S.C. § 90316).

⁷ *Id.*

⁸ Review of appropriations laws, 1996 to 2016. On file with staff.

⁹ See Gov't Accountability Office, *Characteristics and Performance of Selected International Air Navigation Service Providers and Lessons Learned from Their Commercialization* 11, Rpt. No. GAO-05-769 (2005).

Separating the air traffic function from FAA would require resolving several financial issues, including determining which assets would be transferred to the new air traffic entity, such as air traffic facilities and equipment, the value of those assets and the air traffic system, and which entity would be responsible for disposing of old and obsolete assets. *Properly valuating the air traffic control system and the associated assets will be important.*¹⁰

Governance. The ATC Corporation would be governed by an 11-member board of directors:

- four directors representing airline interests, unilaterally appointed by “the principal organization representing mainline air carriers” (Airlines for America [A4A]);
- two directors representing general aviation interests, unilaterally appointed by “the principal organization representing noncommercial owners and recreational operators of general aviation aircraft” (the Aircraft Owners and Pilots Association [AOPA]);
- one director unilaterally appointed by “the principal organization representing the largest certified collecting bargaining representative of airline pilots” (Air Line Pilots Association [ALPA]);
- one director unilaterally appointed by “the principal organization engaged in collective bargaining on behalf of air traffic controllers employed by the Corporation” (National Air Traffic Controllers Association [NATCA]);
- two at-large directors appointed by the Secretary of Transportation; and
- the CEO of the ATC Corporation.¹¹

There is no oversight for successors to directors. The successors to these positions are reappointed by the trade association or union that made the initial appointment and approved by the board of directors.

The airline industry’s role on the board will be substantial, even though the airline industry is under public scrutiny after a series of mergers have reduced the eight largest airlines to four. The Justice Department furthermore launched an investigation of the industry last summer for collusion and other possible violations of antitrust law.¹²

Financing. The ATC Corporation would operate on the basis of revenue from user fees for air traffic services. Passenger airlines, cargo airlines, operators of fractional-ownership fleets, and operators of air taxis (except those in remote locations), would pay user fees; **recreational general aviation users and non-commercial business jet operators would be exempt from the user fee requirement.**¹³

¹⁰ Dep’t of Transp. Office of the Inspector General, *There Are Significant Differences Between FAA and Foreign Countries’ Processes for Operating Air Navigation Systems* 8, Rpt. No. AV-2015-084 (2014) (emphasis added).

¹¹ AIRR Act, § 211 (codifying 49 U.S.C. § 90306).

¹² See David McLaughlin and Mary Schlangenstein, *U.S. Looks at Airline Investors for Evidence of Fare Collusion*, BLOOMBERG (Sept. 22, 2015), available at <http://www.bloomberg.com/news/articles/2015-09-22/do-airfares-rise-when-carriers-have-same-investors-u-s-asks>.

¹³ AIRR Act, § 211 (codifying 49 U.S.C. § 90311).

Workaround to attempt to address constitutionality issues. The bill creates a workaround to attempt to address constitutionality issues identified during the development of the proposal. It is unclear whether a court will find the ATC Corporation constitutional.

Moreover, the workaround creates a host of other issues that undo the goal of trying to limit Congress' power over air traffic control decisions. For instance, because delegation of a regulatory function such as air traffic control to a private entity is unconstitutional under the non-delegation doctrine,¹⁴ the Republican proposal requires the Secretary of Transportation to approve or disapprove numerous important decisions of the ATC Corporation. For example, the Secretary must review regulations and standards proposed by the corporation; must prescribe performance-based safety regulations and standards; and must specifically review proposals for contract tower closures and airspace modifications in Metroplex areas such as Southern California, Northern California, and North Texas.¹⁵ Because Congress annually appropriates funds for the Office of the Secretary, the proposal's complex process for Secretarial approval will guarantee Congressional involvement in airspace modernization programs, even though the few stakeholders supporting privatization claim it is necessary to remove Congressional interference in those programs. And because the ATC Corporation is authorized to bring an action in federal district court challenging the Secretary's decisions,¹⁶ decisions on major projects could face years of delay in litigation.

C. Financing Under the Republican Proposal Versus Current Model

1. Current Financing Model for Air Traffic Control

The air traffic control system is currently funded with approximately \$9.1 billion in excise tax revenue from the Trust Fund and \$2 billion from the General Fund, out of a total FAA budget of \$16.3 billion. The FAA's regulatory activities, such as airline safety oversight and certification programs, account for approximately \$1.3 billion in FY 2016. The Congressional Budget Office's January 2016 baseline projects the General Fund share will decrease to \$1.1 billion in FY 2017 as a result of growing excise tax revenue, in line with national economic growth.

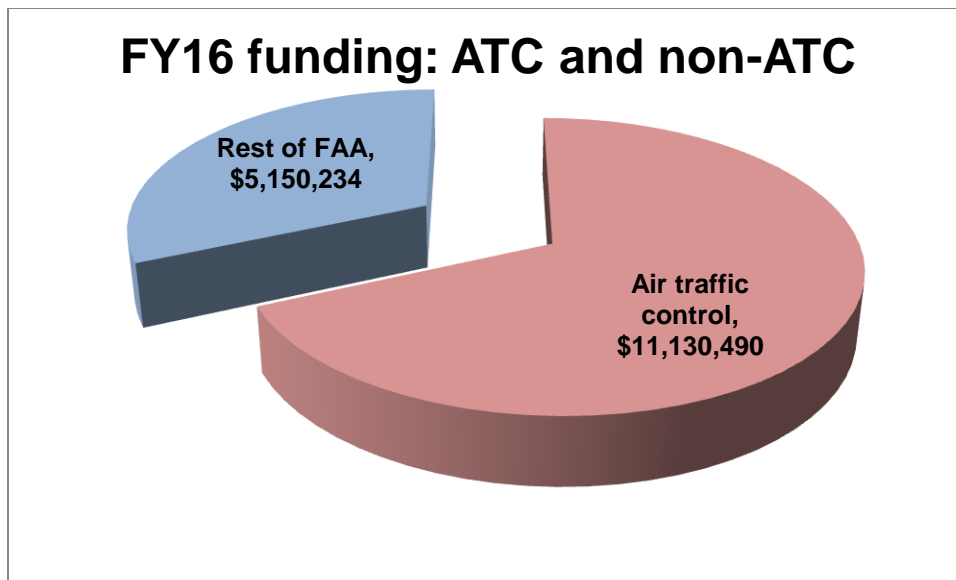
2. FAA Funding Under the AIRR Act, H.R. 4441

H.R. 4441's privatization scheme would essentially replace the approximately \$11.1 billion yearly tax and general revenue for air traffic control with revenue from user charges totaling a similar amount.

¹⁴ See, e.g., *Ass'n of Am. R.R. v. U.S. Dep't of Transp.*, 721 F.3d 666, 670 (D.C. Cir. 2013) ("Federal lawmakers cannot delegate regulatory authority to a private entity."), *vacated, on other grounds, Dep't of Transp. v. Ass'n of Am. R.R.*, 575 U.S. ___ (2015); see also Cong. Rsch. Serv., *Memorandum to the Hon. Peter A. DeFazio on Analysis of Constitutional Issues Arising from a Proposal to Authorize a Federally Chartered Private Corporation to Provide Air Traffic Control Services* (April 10, 2015).

¹⁵ AIRR Act, § 211 (codifying 49 U.S.C. § 90501).

¹⁶ *Id.*



Separation of the air traffic control system would leave the remaining FAA to conduct safety oversight of the aviation system, undertake regulatory functions (including certification of new aircraft, avionics, and engines), and administer the Airport Improvement Program (AIP), a grants program to fund airport infrastructure development, among other things.

The proposal in H.R. 4441 would preserve the Trust Fund, and some measure of reduced excise taxes to feed it, exclusively to continue the AIP at levels increasing from \$3.35 billion in FY 2017 to \$3.817 billion in FY 2022.¹⁷ The proposal assumes that House Committee on Ways and Means will act to reduce some or all of the excise taxes feeding the Trust Fund in yet-undetermined measures, but **the proposal is silent with respect to which excise taxes and fees would be reduced or eliminated and leaves open the possibility that excise taxes plus user fees could drive up the cost of air travel.**

The rest of the FAA’s safety functions will rely on the General Fund and will be subject to shutdowns and sequestration. The FAA’s critical regulatory operation—including safety oversight of airlines, actions to address unsafe conditions in air transportation, and major programs to certify increasingly complex aircraft, avionics, and engines—would be funded solely through the General Fund at levels ranging from \$1.637 billion in FY 2020—when the ATC Corporation must assume air traffic control responsibilities—to \$1.713 billion in FY 2022 and would continue to be subject to budget uncertainty and instability.¹⁸

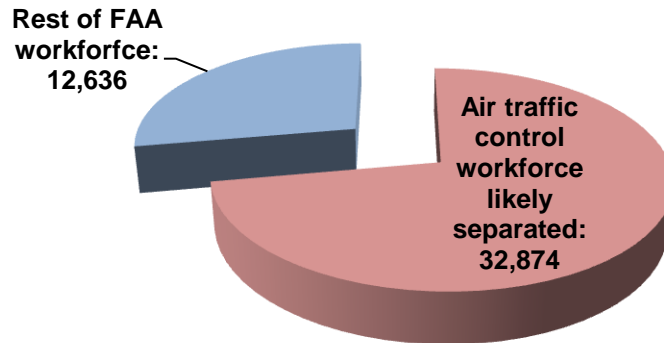
D. Employees

The proposal in H.R. 4441 would require the separation of approximately 30,000 controllers, managers, administrative staff, technicians, and others from Federal service.

¹⁷ *Id.* § 102.

¹⁸ *Id.* § 103(a)(2), (b)(2) (respectively, authorizing appropriations from the General Fund for the FAA’s Operations account totaling \$1.637 billion for FY20, \$1.675 billion for FY21, and \$1.713 billion for FY22, and terminating Trust Fund appropriations for FAA Operations after FY19).

ATC Employees Potentially Separated from FAA



Employees would retain existing rights to collectively bargain over the terms and conditions of employment in a bargaining process governed by the National Labor Relations Act.¹⁹ ATC Corporation employees who transfer from the FAA would have the option of electing to continue participating in the Federal system or to receive a lump-sum distribution from their Federal retirement accounts and participate in a new retirement system that the ATC Corporation must establish.²⁰

E. Global Context

1. International Comparisons

FAA-controlled airspace is the busiest and most complex in the world. FAA air traffic controllers manage air traffic in airspace covering 30 million square miles of the earth's surface, including large swaths of the Atlantic and Pacific oceans. In contrast, the combined flight information regions of the United Kingdom, Canada, France, and Germany—four of the countries with airspace systems often considered analogous to that of the United States—cover only about 18 million square miles of territorial land and sea. **FAA air traffic controllers handle 15.5 million aircraft movements; the FAA's counterparts in those four countries handled just 12 million movements combined.** The scale of the general aviation community in the United States greatly exceeds those of other countries: there are more than 200,000 general aviation aircraft registered in the United States, compared to just 109,000 in the four other countries combined.²¹ **And the FAA's unit cost, measured per instrument flight rules flight hour, is \$454, compared to the international average of \$518.**²²

¹⁹ *Id.* § 211 (codifying 49 U.S.C. § 90705).

²⁰ *Id.* § 211 (codifying 49 U.S.C. §§ 90315(c), 90702).

²¹ See Dep't of Transp. Office of the Inspector General, *There Are Significant Differences Between FAA and Foreign Countries' Processes for Operating Air Navigation Systems* 7, Rpt. No. AV-2015-084 (2014).

²² Civil Air Navigation Servs. Org., *Global ANS Performance Report 2013* (2014).

The table below compares the systems considered most analogous to that of the United States, including the two privatized systems of Canada and the United Kingdom.

Other countries' models

Country	ATC provider	Year established	Ownership structure	Employees	Number of ATC facilities
Australia	Airservices Australia	1988	Government-owned corporation	4,204	31
Canada	Nav Canada	1996	Private nonprofit corporation	4,832	49
France	Direction des Services de la Navigation Aérienne	2005	Government agency	7,846	91
Germany	Deutsche Flugsicherung GmbH	1993	Government-owned corporation	5,938	20
New Zealand	Airways Corporation of New Zealand Ltd.	1987	Government-owned corporation	761	30
United Kingdom	National Air Traffic Services Ltd.	1996	Public-private partnership	4,440	18
United States	FAA Air Traffic Organization	2004 (1958 under Fed. Av. Agency)	Government agency	33,000 in air traffic control	533

The U.S. air traffic control system's performance is on par with or better than the international average in all relevant metrics. According to an audit by the Civil Air Navigation Services Organisation, the international accrediting body for air navigation service providers, between 2008 and 2012 the FAA Air Traffic Organization handled more than 15 times the global average of aircraft movements, at a total cost per flight hour that was 12 percent lower than the global average, and with a productivity rate that was 71 percent higher than the global average.²³

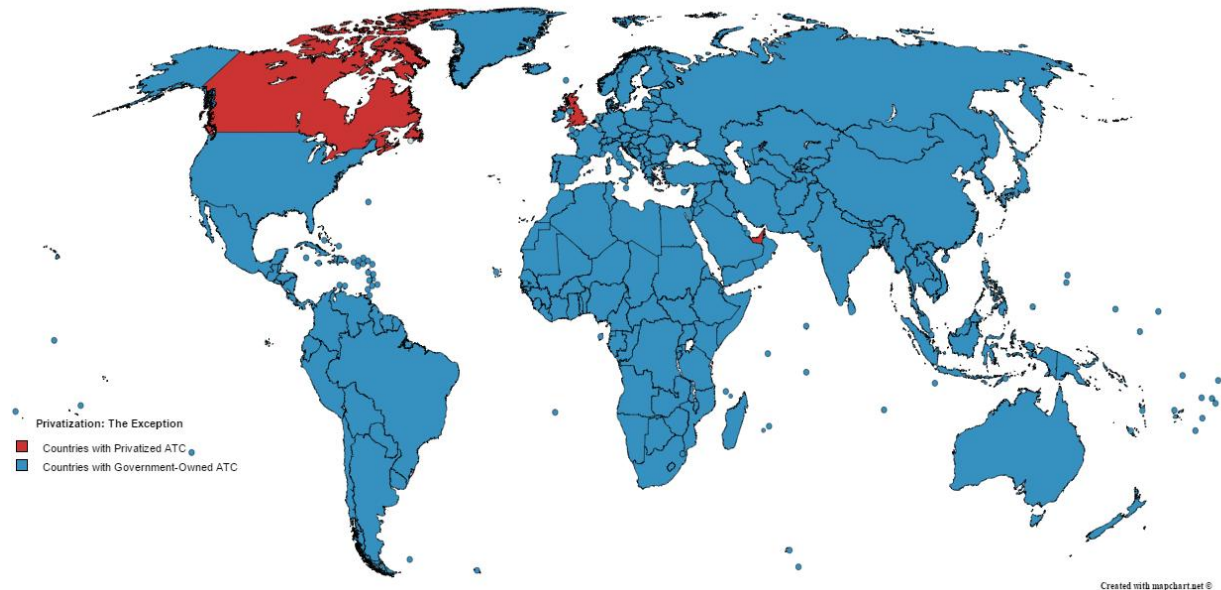
2. Privatization: Exception to the Rule

Although at least 21 other countries have structurally separated their air traffic control providers from civil aviation safety regulators, only three—Canada, the United Kingdom, and the United Arab Emirates (and then only for the Dubai flight information region)—have privatized air traffic control functions. In other countries with large and complex airspace, such as China and Brazil, air traffic control remains a government function. The Department of Transportation Inspector General issued a cautiously-titled report on other countries' experiences in September 2014, concluding that "There are significant differences between FAA and the foreign [air traffic

²³ *Id.*

control providers] we reviewed, including their operational and financing structures, as well as their approaches to modernization efforts.”²⁴

Privatization: the exception to the rule



Privatized air traffic control systems have not avoided challenges. Unlike the ATC Corporation proposed in H.R. 4441, Nav Canada was required to pay the Canadian government for the value of air traffic control facilities and equipment and eventually paid C\$1.5 billion for those assets.²⁵ A subsequent Canadian government audit, however, determined that Nav Canada ended up paying “significantly less” than the system’s fair value, which auditors concluded was at least C\$2.6 billion and likely much more.²⁶

During the airline industry crisis that began in 2001, user fee revenue plummeted in both Canada and the United Kingdom, forcing Nav Canada and NATS UK, respectively, to apply special measures to permit continued operation of the two air traffic control systems. The British government bailed out NATS UK with a \$112.8 million cash infusion in 2002 to keep the enterprise solvent; the British airports authority contributed an equal amount.²⁷ Nav Canada’s annual financial statements show that total user fee revenue dropped from C\$921 million in 2001 to C\$874 million in 2002, forcing the company to empty its rate stabilization account, defer C\$20 million in capital projects, and propose a wage freeze, which unions rejected. In 2003, Nav Canada increased user fees by approximately 3 percent.²⁸

²⁴ Dep’t of Transp. Office of the Inspector General, *There Are Significant Differences Between FAA and Foreign Countries’ Processes for Operating Air Navigation Systems* 3, Rpt. No. AV-2015-084 (2014).

²⁵ Gov’t Accountability Office, *Characteristics and Performance of Selected International Air Navigation Service Providers and Lessons Learned from Their Commercialization* 11, Rpt. No. GAO-05-769 (2005).

²⁶ Office of the Auditor General of Canada, *Report of the Auditor General of Canada on the Commercialization of the Air Navigation System* (1997).

²⁷ Gov’t Accountability Office, *Characteristics and Performance of Selected International Air Navigation Service Providers and Lessons Learned from Their Commercialization* 25, Rpt. No. GAO-05-769 (2005).

²⁸ See Nav Canada, “Details and Principles Regarding Proposed Revised Service Charges” (Oct. 15, 2001), available at

<http://www.navcanada.ca/EN/media/Publications/Service%20Charge%20Announcements/SCA-2001-Details-EN.pdf>; Nav Canada, “Notice of Revised Service Charges” (Oct. 2, 2002), available at

There is little dispute within the stakeholder community that Nav Canada has outpaced the FAA Air Traffic Organization in deploying new technologies for tracking and communicating with aircraft. But as the Inspector General reported last year, “The four foreign ANSPs we reviewed [those of the United Kingdom, Canada, France, and Germany] do not embark on large, comprehensive modernization efforts such as NextGen transformational programs or conduct extensive aviation research and development. Rather, they deploy new technologies incrementally and try to install technology that meets their operational needs.”²⁹

F. Stakeholder Views on Air Traffic Control in the United States

Aviation stakeholders generally agree on the need for stable, long-term funding for aviation programs, but most stakeholders have suggested they are ambivalent, at best, about the feasibility and wisdom of a large-scale restructuring of the system. The GAO reported in September 2014 that, of 76 industry and labor stakeholders interviewed about challenges associated with the ATC system—

- 71 said the system is “very” to “extremely” safe;
- 43 said the FAA faces challenges in “mitigating the effects of an uncertain fiscal environment” while running the ATC system and implementing NextGen simultaneously;
- 36 suggested the need “for a change to the funding process or source of funding”;
- Only 27 said separating the ATC system from the FAA organization “is an option,” with 26 others equivocating and 12 saying “no”;³⁰ and
- Only five expressed little to no confidence in the FAA’s ability to implement NextGen.

G. Prior FAA Reforms

Ideas to restructure the U.S. air traffic control system are not new. The chart below summarizes historical proposals to restructure the system along with their outcomes.

<http://www.navcanada.ca/EN/media/Publications/Service%20Charge%20Announcements/SCA-2002-Notice-Revised-EN.pdf>.

²⁹ Dep’t of Transp. Office of the Inspector General, *There Are Significant Differences Between FAA and Foreign Countries’ Processes for Operating Air Navigation Systems* 6, Rpt. No. AV-2015-084 (2014).

³⁰ Gov’t Accountability Office, *Air Traffic Control System: Selected Stakeholders’ Perspectives on Operations, Modernization, and Structure*, Rpt. No. GAO-14-770, at 27, 38 (2014).

Air traffic control reform proposals since 1974

Year	Proponent	Recommendation	Outcome
1974	Professional Air Traffic Controllers Organization	Creation of a government corporation for ATC	H.R. 12165, H.R. 13004 (94 th Cong.) (referred to committee)
1982	Heritage Foundation (Bob Poole)	ATC privatization	A report
1986	Air Transport Association	FAA or ATC government corporation	S. 1159 (100 th Cong.) (creating government corporation for ATC) (referred to committee)
1988	President Reagan	Partial ATC privatization	A report
1993	Nat'l Comm'n to Ensure a Strong Competitive Airline Industry (Cong. mandate)	ATC government corporation	A report
1993	Vice President Gore/National Performance Review	ATC government corporation	A report
1995	Clinton Administration/Nat'l Performance Review	ATC government corporation	H.R. 1441 (104 th Congress) (creating U.S. Air Traffic Service) (referred to committee)
2014	FAA Management Advisory Council	ATC government corporation or privatization	A non-public report

While efforts to restructure air traffic control have not succeeded in the United States, the FAA has been subject to significant reforms. However, the Department of Transportation Inspector General reported in January 2016 that the FAA has failed to realize the benefits of major personnel and procurement reforms due to bureaucratic internal processes based on the rote Federal rules from which Congress exempted the FAA in 1996, as well as the agency's failure to adopt best industry practices for managing major capital-intensive investment programs.³¹

³¹ Dep't of Transp. Inspector General, *FAA Reforms Have Not Achieved Expected Cost, Efficiency, and Modernization Outcomes*, Rpt. No. AV-2016-015 (2016).

Actual FAA reforms since 1995

Reform	Mandated by . . .	Implemented in response to . . .
FAA required to implement personnel management system	Congress (1995 appropriations law)	FAA's stated need for greater flexibility in hiring, training, and locating employees
FAA required to implement acquisition management system	Congress (1995 appropriations law)	Cost overruns and schedule slippages in modernization programs of the 1980s and 1990s, particularly the Advanced Automation System.
FAA's "dual mandate" of safety regulation and industry promotion eliminated	Congress (1996 FAA reauthorization)	Deficiencies in FAA's oversight of ValuJet, revealed following ValuJet flight 592 accident in 1996
Over-cost, overdue acquisition programs terminated	Congress (1996 reauthorization)	Cost overruns and schedule slippages in modernization programs of the 1980s and 1990s
FAA required to appoint Chief Operating Officer responsible for running ATC system	Congress (2000 reauthorization)	Management challenges associated with ATC system modernization
FAA directed to create Air Traffic Organization to run ATC system with accountability and performance management	President Bill Clinton (2000 executive order)	Congress's direction in 2000 reauthorization for appointment of a Chief Operating Officer
FAA required to appoint Chief NextGen Officer to manage intra-agency NextGen work	Congress (2012 reauthorization)	Continued delays in NextGen implementation

WITNESSES

Mr. Paul Rinaldi

President

National Air Traffic Controllers Association

Mr. Nicholas E. Calio

President and CEO

Airlines for America

Mr. Ed Bolen

President and CEO

National Business Aviation Association

Mr. Robert Poole

Director of Transportation Policy

Reason Foundation

APPENDIX

Actual and projected FAA funding levels, FY 2012 – FY 2017 (dollars in thousands)

Account	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017*
Operations (total)	9,653,395	9,395,665	9,651,422	9,740,700	9,909,724	10,112,000
<i>Gen. Fund share</i>	4,592,701	4,599,428	3,156,214	1,145,700	1,987,724	1,107,000
Facilities and Equipment	2,730,731	2,622,197	2,600,000	2,600,000	2,855,000	2,914,000
<i>Gen. Fund share</i>	--	--	--	--	--	--
Research	167,556	158,792	132,608	156,750	166,000	170,000
<i>Gen. Fund share</i>	--	--	--	--	--	--
AIP	3,350,000	3,343,300	3,480,000	3,350,000	3,350,000	3,350,000
<i>Gen. Fund share</i>	--	--	--	--	--	--
TOTAL FUNDING	15,901,682	15,266,954	15,864,030	15,847,450	16,280,724	16,724,000
<i>Gen. Fund share</i>	4,592,701	4,599,428	3,156,214	1,145,700	1,987,724	1,107,000
<i>Gen. Fund %</i>	28.9%	28.5%	19.9%	7.2%	12.2%	6.7%

*Levels for FY 2012 – FY 2016 are actual appropriated levels; FY 2017 figures are derived from the Congressional Budget Office's January 2016 baseline.