

FACT SHEET

2018 BUDGET: AIR TRAFFIC CONTROL REFORM

The Need for Air Traffic Control Reform

The United States has maintained an excellent aviation safety record, even while operating the world's most congested airspace. Despite this positive record, the Federal Aviation Administration (FAA) is struggling to keep up with the quickly evolving needs of the Nation's airspace users. Air traffic control has become a technology-dependent enterprise. To accommodate growing air traffic volume and define more efficient flight paths, modern technology is required. However, the FAA must constantly make trade-offs that favor maintaining legacy assets nationwide, rather than investing in cutting-edge technology that other nations use to manage their air traffic. The efficiency of our airspace requires significant investments in rapidly-evolving technology, a challenging proposition for our Government. Many other industrialized countries, however, have separated their air traffic control functions from government. There, air traffic service providers work with private capital markets to modernize technology and facilities in a more iterative way that focuses on driving stakeholder benefits. It is time for the United States to follow suit.

Not a New Concept

Sixty countries have successfully "spun-off" their day-to-day air traffic management responsibilities from government agencies to corporations. For example, Canada successfully privatized its air traffic management functions more than 20 years ago and has realized numerous benefits. The non-profit NAV Canada corporation, the world's second-largest air navigation service provider, has improved safety, retained the same rates for customer charges over the past 17 years, rebuilt infrastructure, and developed cutting-edge air traffic technology.

Even with the change in ownership, NAV Canada continues to provide air traffic services to Canada's rural northern communities. Additionally, as a private entity, NAV Canada has successfully marketed their technology to other countries, further driving down the costs for users of Canadian airspace. All of these benefits have been realized while the Canadian government has continued to exercise safety oversight.

The Administration Supports Congressional Reform Efforts

The President's 2018 Budget reflects a multi-year process that will result in the transfer of day-to-day air traffic control from the FAA to a new non-governmental, non-profit corporation. The Government will retain its role in regulating aviation safety, as it does for all other modes of transportation.

Last year, the House Committee on Transportation and Infrastructure released and marked up an air traffic control reform bill, the Aviation Innovation, Reform, and Reauthorization Act of 2016 (AIRR Act). This Administration believes that the AIRR Act, authored by Transportation Committee Chairman Bill Shuster, is an excellent starting point that would successfully separate air traffic control from the rest of the FAA, while maintaining this country's sterling aviation

safety record. The AIRR Act advances several critical concepts that any final piece of legislation should include:

1. A non-profit, independent corporation is the best model to deliver air traffic services in a safe, efficient, and innovative manner.
2. A board of directors that represents all users of the National Airspace System will better align air traffic services to customer demands.
3. A fee structure that allows aviation users to pay the cost of the services to the air navigation service provider is a more efficient funding model than the current mix of excise taxes.

These concepts will drive more and better services than the FAA provides today, and therefore create an efficient governance mechanism that is responsive to its users. Further, if the new corporation were to develop its own technologies, it could potentially sell its services to other countries.

This Administration understands that there are numerous stakeholders both inside and outside the Federal Government that care about access and the day-to-day operations of the Nation's airspace. As the user community of the Nation's airspace expands to include unmanned aerial vehicles, new concerns from our local communities will need to be addressed. The Administration will continue to work with the users of the National Airspace System to ensure a safe, efficient, and successful transition.

Air Traffic Reform in the President's Budget

Consistent with the time frame in the AIRR Act, the *Budget* includes the FAA's air traffic control functions transferring out of the Government to a non-governmental, non-profit entity in 2021. As a result, the *Budget* would reduce spending caps by \$70 billion, more than \$10 billion a year starting in 2021 through 2027. Additionally, the *Budget* also proposes to reduce the various aviation excise taxes by an estimated \$116 billion over the same period. The FAA's safety and regulatory functions will remain governmental, and the *Budget* estimates funding these functions at \$2.4 billion in 2021. The *Budget* retains sufficient tax revenue from aviation excise taxes to cover the Airport Improvement Grant Program at its current size of \$3.35 billion. The *Budget* estimates assume the ticket tax will end, but the precise tax rates for the remaining aviation excise taxes have not yet been developed. The Administration will work with Congress to establish successor tax rates.

The proposal does generate a projected difference between revenue and spending reductions, but that difference is based on a point-in-time estimate related to growth assumptions in the *Budget*. From 2000, aviation excise tax collections have increased on average 2.6 percent per year, whereas spending has increased by an average of 2.9 percent annually over the same time period. A projection based on those historical trends would suggest this proposal represents a smaller cost to the Government (roughly \$20 billion, rather than the \$46 billion reflected in the *Budget*).

Conclusion

To accommodate growing air traffic and address the quickly evolving needs of the Nation's airspace users, the United States needs to change the governance and structure of air traffic control. This transformative undertaking will create a non-profit, non-governmental air traffic control organization that can more nimbly respond to the demand for air traffic services, reduce taxes and Government spending, and maintain Government control of aviation safety.