

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

- Agenda item 1: Economic situation of airports, air navigation services providers and their financial relationships with air carriers and other users**
- Agenda item 4: Determinants of Economic Regulation of airports and air navigation services**

THE RESTRUCTURING OF AIR NAVIGATION SERVICES: THE RELATIONSHIP BETWEEN REGULATION, EFFICIENCY, AND HIGH PROFESSIONAL STANDARDS

(Presented by the International Transport Workers' Federation)

1. There have been significant changes in the way that air traffic control is organised over the last few years. An increasing number of governments are taking air navigation services out of their place within a government department and into new bodies called "autonomous authorities " or executive agencies. While these bodies are still government-controlled they operate to a set budget and aim to become self-financing. This process of "corporatisation" has increased as governments have sought new ways to finance investment. That trend will accelerate because the need for satellite-based navigation and surveillance systems will add significantly to the level of investment required.
2. Traditionally air traffic control has been provided as a public service. A number of governments have been seriously considering privatising the delivery of their air traffic control services (though none has yet done so). The ITF is strongly concerned that privatisation would involve a potential conflict between the objective of profit maximisation and the need to meet other key objectives such as safety.
3. The providers of air navigation services (ANS) have to balance a number of competing and sometimes conflicting demands. They are required to ensure equality of access for all air space users. They must balance the use of air space between military and civilian requirements. However, the major tension currently faced by providers is between the need to increase capacity to keep up with predicted air traffic growth and to reduce costs to keep within the new financial disciplines set on ANS by governments.
4. In Europe and Asia co-operation between providers and harmonisation of air traffic services is increasingly seen as the only realistic means to increase capacity and improve efficiency. The pressure for greater harmonisation will increase as traffic levels grow. For example the European Civil Aviation Conferences (ECAC) long term strategy document "The ATM strategy for 2000 plus" states as an overall objective for the early decades of the next century, "For all phases of flight, to enable the safe, economic,

expeditious, and orderly flow of traffic through the provision of ATM services which are adaptable and scaleable to the requirements of all users and areas of European airspace. The services shall operate to uniform principles, be environmentally sustainable and satisfy national security requirements.”

5. Further substantial gains are needed in ATM capacity and efficiency in order to maintain safety levels as the volume of air traffic increases. These gains are most likely to be obtained through centrally planned and implemented operational and technical solutions. These changes will require uniform ATM strategies, based on a consensus within the aviation community, towards a common goal. Many experts believe that such co-operation will be an absolute necessity as traffic levels continue to rise. Yet a group of privately owned providers involved in commercial competition as ANS providers are likely to have little interest in providing such co-operation.

6. In order to maximise capacity and efficiency there is a strong argument that ATC should be provided single providers covering larger areas of air space. This could come from single state providers or by groups of states coming together to improve capacity. There are sound arguments concerning efficiencies for also combining en- route and airport approach services under a single provider.

7. ICAO currently emphasises that it is the state that is ultimately responsible for the provision of air traffic services. Autonomy can never therefore be total. It is clear that even if ANS were to become fully privatised there would be a continuing need for state involvement. The ITF believes that such a hybrid solution will lead to inefficiency and the blurring of lines of responsibility particularly as regards safety and economic regulation.

8. Air traffic control is a team effort that involves different groups working together to deliver a seamless service to the aircraft. In other parts of the aviation industry privatisation and outsourcing has led to job losses, increased work intensity and the fragmentation of services. Corporatisation of ATC has also seen changes in employment numbers and conditions for ANS staff. Given the current ICAO approach the only way an ANS provider can improve profits is to shed staff or reduce terms and conditions. Employees fear that the inevitable pressures to reduce costs will have a negative impact on employment, job security, wage levels, training and professional standards. It is vital that professional standards are guaranteed through a strengthened state licensing system, which meets clear uniform international standards for Air Traffic Control Officers. Licensing and minimum training standards should also be extended to engineers, flight data assistants and others with safety-sensitive responsibilities.

9. Structural change is occurring in the provision of ANS. There are already moves, especially in Europe towards a reorganisation and concentration of air navigation services away from nation centres towards larger regional centres. If the delivery of ANS becomes commercialised or privatised it is possible that certain areas of ANS provision such as air traffic engineering may become fragmented through subcontracting. While concentration of air traffic services into major regional centres may obtain some benefits of efficiency, the cost savings offered through subcontracting may introduce some forms of fragmentation which would break up the centrally managed safety chain of command.

10. The cost-benefit culture of corporatised ANS (in its most extreme form through privatisation) risks losing the communication and control chain between employees that is the main element of a coherent centrally managed safety culture.

11. If privatisation were introduced, such a transfer of ownership could have the added problem of altering the relationship between air traffic control and airlines. At present Air traffic control is provided on

a first come first served basis. If Airlines or groups of Airlines were allowed to buy into air traffic control service providers they could potentially use that influence to their own advantage.

12. Privatisation would also require an increased requirement for inspectors to ensure that private operators were maintaining safety standards. Given the current lack of trained air traffic controllers and indeed of suitable trainees it is difficult to see where these people would be drawn from. In this situation it will also be vital that ANS service organisations are themselves licensed to an international set and monitored standard.

13. The ITF recommends that ICAO should:

- Fully examine the potential effects on safety and efficiency of both corporatisation and privatisation of Air Navigation Services.
- Guarantee that governments set and enforce the highest standards of air navigation service
- Ensure ITF, IFATCA and IFATSEA, as recognised stakeholders, are involved in meaningful participation in any government and inter-governmental discussions affecting the future of air navigation services.
- Guarantee the transparency and availability of information to employee representatives of all corporate and governmental information directly relevant to the future conditions and job security of employees.
- Ensure that commercial pressures, in particular those resulting from competitive tendering, should not jeopardise safety and security standards in airport or en route services.
- Strengthen the current licensing requirements for ATCOs and introduce similar licensing requirements for other personnel such as engineers and flight data assistants.
- Establish international minimum training standards for all ATC staff.
- Introduce licensing arrangement for ANS providers to ensure that they meet minimum standards.

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