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Reining in Excessive FAA Salary Costs

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At the behest of the Clinton Administration in 1996, Congress enacted legislation that gave the government's air traffic controllers the right to bargain with the federal government over pay, benefits, and work rules—a privilege unavailable to the vast majority of other federal workers, then or now.[1] With this new bargaining power, the air traffic controllers extracted in 1998 a sweetheart deal of extraordinary generosity from a compliant White House.

According to the Federal Aviation Administration (FAA), *base pay* for the 14,500 controllers soared 75 percent over the next seven years, rising from $64,877 in 1998 to $113,615 in 2005. Including premium pay for location upgrades and other salary add-ons, average controller *cash compensation* reached $128,000 in 2005. When benefits are included, total compensation averaged $166,000 in 2005. For a select group of 1,300 controllers, seniority, premium pay, and overtime boosted their total pay and benefit package above $200,000 in 2005. Despite this generous compensation, the air traffic controllers union is seeking a new contract with higher pay that the FAA estimates would cost taxpayers and the beleaguered aviation industry an extra $2 billion over the contract's five-year lifetime.[2]

Negotiating a New Contract

In defense of their high pay and their demand for more, the National Air Traffic Controllers Association (NATCA), the air traffic controllers union, contends that its members' generous compensation is justified

Talking Points

- Base pay for the 14,500 air traffic controllers has risen from $64,877 in 1998 to $113,615 in 2005, an increase of 75 percent over seven years. When premium pay, other salary add-ons, and benefits are included, total compensation averaged $166,000 in 2005.
- The FAA has resisted the controllers' demands for a new five-year contract that would increase cash earnings from $128,000 to $151,000 (an 18 percent increase) and total compensation to over $200,000 by the last year in the contract.
- The FAA should continue to resist the controllers' wage demands and build on its past privatization efforts by developing legislation to privatize the entire air traffic control system, as many other countries have done.
- Contracting out 187 towers to private controller services saved taxpayers $250,000 per tower per year prior to the 1998 wage contract.

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by their stressful work and the critical importance of ensuring the safety of millions of airline passengers. The union also contends that the indices to which their pay is contractually linked, not the 1998 contract, caused the pay escalation.[3]

While compensation should be commensurate with the required skills and the effort expected of the workforce, a review of compensation for other professions requiring similar skills and on which the public safety depends found that controller pay is unusually generous, as shown in Table 1.

Despite generous salaries and early retirement benefits, the controllers want more and have proposed a new five-year contract that includes an 18 percent pay increase, which would increase cash earnings from $128,000 to $151,000 and total compensation to over $200,000 by the last year in the contract. The federal government's counteroffer would allow cash pay to rise from an average of $128,000 in 2005 to $140,000 over the five-year contract, and total compensation would rise from $166,000 to $187,000.[4] The government also proposes to create a new pay tier for new hires to repair the financial damage done by the 1998 contract.

In response to the proposed new pay tier, the controllers argue that expected controller retirements in the near term (10 percent over the next year and 75 percent over the next decade) will save $543 million over the next five years as the more highly paid senior controllers retire and are replaced by lower-paid new entrants under the existing scale.[5] The FAA counters that the old contract, compared with the new pay tier, would provide new entrants with substantial pay increases during their early years that would offset any initial savings.

Since the existing contract expired in September 2005 and efforts to negotiate a new one have reached an impasse, the FAA invited the Federal Mediation and Conciliation Service (FMCS) to join the discussions to help reach a deal. Even with the FMCS, the impasse persisted, and negotiations broke down in early April 2006. The delay in reaching a new agreement is caused in part by the flaws and peculiar provisions in the 1998 agreement that work both for and against the controllers union, depending upon the rate of progress in the negotiations. To the controllers' considerable benefit, they continue to receive pay increases after expiration of the existing contract in September 2005. Under terms of that contract, between the contract's expiration and an agreement on a new one, controllers still receive annual pay increases "at a rate that is the greater of the government-wide

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Selected Compensation Comparisons: Base Pay, 2004

Profession/Job	Median Base Pay
Fire Fighter	$38,000
Flight Attendant	$43,440
Police Officer	$45,210
Aircraft Mechanic	$45,281
Commercial Pilot	$53,870
Fire Chief	$79,314
Air Traffic Controller*	$102,030
Airline Pilot	$129,250

* The Department of Labor's estimate of the base pay for air traffic controllers is smaller than the $128,000 median calculated by the FAA because it covers an earlier year, includes only base pay, and includes controllers who do not work for the FAA, such as those manning the 187 Level 1 towers that have been contracted out to private operators.

Source: U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Outlook Handbook*, 2006–2007 ed., at *www.bls.gov/oco/home.htm* (April 5, 2006).

1. Federal Aviation Reauthorization Act of 1996, Public Law 104–264.
2. FAA data are from Marion C. Blakely, FAA Administrator, letter to Senator Barack Obama (D–IL), January 13, 2006.
3. National Air Traffic Controllers Association, "The Numbers Don't Lie," January 26, 2006, at *www.fairfaa.com/the_numbers_dont_lie.asp* (April 5, 2006).
4. All salary data are from Blakely letter to Senator Barack Obama.
5. National Air Traffic Controllers Association, "The Numbers Don't Lie."

increase plus 0.8 percent or the agency-wide increase." In other words, despite the absence of a new contract, controllers will continue to receive larger pay increases than their counterparts elsewhere in the civil service receive. As a consequence, the union's incentive to negotiate a compromise agreement with the government is greatly diminished.

However, the 1998 contract was not totally one-sided. It provided the government with some remedies in the event that the union became intransigent and abused its privileges as granted under the contract. Specifically, the 1998 contract included a safety valve that allows the FAA to impose a contract on the controllers, subject to congressional action, if good-faith negotiations came to a complete impasse.

That impasse arrived on April 5, 2006. As a result, the FAA's final offer will become the effective labor contract unless Congress intervenes in the union's favor. Yet with Congress under growing pressure to control spending better and hold the line on taxes, Members may not be inclined to aid a privileged class of government workers whose base salaries are already more than four times the average annual salary of their constituents employed in the private sector.

To thwart this outcome, several Members of Congress have introduced legislation to overturn the congressional role provided by the federal laws governing FAA–controller contract negotiations. Senator Barack Obama (D–IL) introduced S. 2201 in the Senate, and Representative Sue Kelly (R–NY) has introduced its companion bill (H. R. 4755) in the House of Representatives to limit the government's ability to curb the excessive growth in controller wages. If enacted, their proposal would eliminate the FAA's option of imposing a contract on the controllers when negotiations reach an impasse (a right that the federal government effectively has over the millions of other well-paid civil servants); terminate congressional responsibility over that portion of the FAA budgetary process; and transfer the final decision on the contract (and the federal budget) to an independent arbitrator.

Regardless of the legislative outcome, the Department of Transportation (DOT) and FAA leadership should be commended for holding the line against the union's excessive demands and attempts by the controllers' congressional supporters to undermine efforts to restrain spending. The government's success to date has also come at the expense of the union's highly paid lobbyists, members of a thriving industry in Washington, D.C., that is increasingly driving the federal budget process.[6] Notably, the union's professional lobbyists have failed to garner many congressional cosponsors for the Obama–Kelly legislation beyond the predictable big spenders and union supporters.

Notwithstanding the intense resistance from the union and its congressional supporters, the FAA's proposal is comparatively timid considering the many financial and operational problems facing this government monopoly, which is struggling to operate in a fast-changing world. While other nations have improved their aviation services and reduced air traffic control operating costs through the privatization and/or commercialization of all or some of their national aviation systems, America's aviation control system continues to operate in the warm and generous embrace of a government monopoly.

Recent FAA Privatization Successes

A DOT Inspector General review found that contracting out 187 Level 1 towers to private controller services saved taxpayers $250,000 per tower per year prior to the 1998 wage contract. Given the subsequent escalation in controller salaries, the Inspector General estimates that a contracting program applied to the remaining 71 FAA-managed Level 1 towers would save $881,000 per tower per year. Congress should encourage the FAA to pursue this opportunity to save an estimated $63 million per year in taxpayer money.[7]

Despite bipartisan pro-union resistance in the House and Senate, the FAA successfully contracted

6. See Ronald D. Utt, Ph.D., "A Primer on Lobbyists, Earmarks, and Congressional Reform," Heritage Foundation *Backgrounder* No. 1924, forthcoming.

out the 2,500 employee positions in flight service centers to a private company for a savings of $2.2 billion over the next 10 years. It achieves these savings by implementing new technologies and restructuring operations. These new technologies will allow the number of flight service centers to shrink from 58 to 20 and the number of workers to fall from 2,500 to 1,500 while providing the same or better services.

What the Administration Should Do

Instead of pretending that such a monopolistic structure possesses any value in the modern world, the Administration should build on the FAA's successful resistance to the union's excessive wage demands and related privatization successes by pursuing a comprehensive restructuring strategy that will move the FAA into the 21st century. To achieve this end, the FAA should:

- **Impose the Administration's best offer contract** and force Congress to side with either the taxpayer and the traveling public or the highly paid union members.
- **Continue to pursue competitive contracting and privatization opportunities**, such as those that already have reduced costs and improved safety in the system.
- **Develop legislation to privatize the entire air traffic control system**. Over the past decade, many other countries have moved to privatize or commercialize their entire air traffic control systems. Indeed, notwithstanding President Clinton's ultimate cave-in to the controllers union in 1998, his Administration conducted a detailed and positive review of such a privatization,[8] and Vice President Gore's Reinventing Government effort reviewed this outcome favorably. As much of the world continues to flee from the destructive consequences of socialism, the U.S. could at least join the auxiliary movement by committing to a formal study of the costs and benefits.

Conclusion

The Administration has had some success in enacting reforms that undermine the forces of privilege and entrenchment within the federal bureaucracy. One of those notable successes was the FAA's enhancement of the quality of the flight service centers at a considerable savings while improving service and technology.

Resisting the controllers' demands for excessive pay increases presents another challenge and an even greater opportunity. Once contract negotiations are successfully settled, the FAA should set a goal of contracting out the remaining government-operated Level 1 towers to achieve the estimated savings of $63 million. To this end, the Republican Study Committee's recent proposal to privatize FAA activities as part of its FY 2007 budget proposal[9] is timely and should receive the support of other Members of Congress.

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7. Ronald D. Utt, Ph.D., "Will Congress Protect the Unionized Government Monopoly at the FAA?" Heritage Foundation *Executive Memorandum* No. 887, June 19, 2003, at *www.heritage.org/Research/GovernmentReform/EM887.cfm*.
8. See U.S. Department of Transportation, "Air Traffic Control: Analysis of Illustrative Corporate Financial Scenarios," May 3, 1994.
9. Republican Study Committee, "RSC FY 2007 Budget: Contract with America Renewed," March 8, 2006, pp. 34–35, at *www.house.gov/pence/rsc/doc/RSC_2007_BUDGET.pdf* (April 5, 2006).