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Continuing the Effort to Curb Excessive FAA Salary Costs

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Legislation (H.R. 2881) to reauthorize the Federal Aviation Administration (FAA) includes a provision (Section 601) to overturn the 2006 contract settlement between the FAA and the 14,000 air traffic controllers. That contract is estimated to save taxpayers $1.9 billion over the next five years and $7.5 billion over the next ten. The settlement followed extensive negotiations between the FAA and the National Association of Air Traffic Controllers (NATCA), and was implemented under the provisions of the special bargaining rights and responsibilities established by the Clinton Administration and Congress in 1996. In July 2007, the Federal Labor Relations Authority dismissed NATCA's claim that the FAA failed to bargain in good faith. Congress should reject any effort to use reauthorizing legislation to cancel a contract whose settlement fully adhered to existing law. If Congress passes legislation that overturns the 2006 settlement, President Bush should exercise his veto authority.

Background. When the previous contract between the FAA and the air traffic controllers expired in September 2005, discussions over its replacement began in earnest. With average controller compensation then totaling $166,000 per year, the FAA's plan was to slow the growth in controller compensation costs, bringing them more closely in line with overall private and government pay patterns.

After eight months of fruitless negotiations with the controllers' union, the FAA declared that negotiations were at an impasse and, as the law requires, sent its final wage and benefit offer to Congress for review. Under current law, unless Congress disapproves the offer within 60 days, the FAA's final and best offer will be the compensation package governing controller salaries for the next five years. June 5 was the deadline, and the effort to disapprove the contract died in the Senate.

Under the FAA's final offer, total controller compensation would rise to $187,000 over five years, in contrast to the more than $200,000 the controllers wanted when negotiations began.

The Current Law. 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 in 1998 extracted a sweetheart deal of extraordinary generosity from a compliant White House.

According to the 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—when the previous contract expired. Including premium pay for location upgrades and other

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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 that year. The union is now seeking to reopen negotiations in the hope of achieving a more generous contract.

Negotiating a New Contract. In defense of their high pay and even higher demands, NATCA contends that its members' generous compensation is justified 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.[2]

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. Table 1 provides comparative pay data for similar or related professions at the time that contract negotiations began.

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Selected Compensation Comparisons: Base Pay, 2004

Profession/Job	Median Base Pay
Firefighter	$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 I 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* (September 19, 2007).

Despite generous salaries and early retirement benefits, the controllers wanted a new five-year contract that included an 18 percent pay increase, which would increase cash earnings from $128,000 to $151,000 and push total compensation to more than $200,000 by the last year in the contract. The federal government's counteroffer was to allow cash pay to rise from an average of $128,000 in 2005 to $140,000 over the five-year contract. Including benefits and other factors, total compensation would rise from $166,000 to $187,000 over the contract period.[3] The government also proposed to create a new pay tier for new hires.

After the existing contract expired in September 2005 and efforts to negotiate a new one 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 was 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 continued to receive pay increases after the expiration of the previous contract in September 2005. Under the "evergreen" terms of the original 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 increase plus 0.8 percent or the agency-wide increase." In other words, despite the absence of a new contract, controllers continue to receive larger pay increases than their counterparts elsewhere in the civil service. As a consequence, the union's incentive to negotiate a compromise agreement with the FAA was greatly diminished.

1. Federal Aviation Reauthorization Act of 1996, Public Law 104–264.
2. 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).
3. All salary data are from Blakely letter to Senator Barack Obama.

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 new privileges. Specifically, the 1998 contract included a safety valve that allows the FAA—if good-faith negotiations came to a complete impasse—to impose a contract on the controllers, subject to congressional action. That impasse arrived on April 5, 2006. Congress did not take action, and the FAA's final and best offer became the contract.

NATCA subsequently challenged the new contract and filed charges with the Federal Labor Relations Authority (FLRA). In the summer of 2007, the FLRA dismissed all of the charges raised by NATCA and concluded that that there was no merit to their claims, that the FAA bargained in good faith, and that the FAA's implementation of the contract was lawful.

More Reform Is Needed at FAA. Despite the intense resistance from the union and its congressional supporters, the FAA's final contract terms were comparatively mild considering the many financial and operational problems it faces. The FAA is a government monopoly that 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, contracting out, and/or commercialization of all or some of their national aviation systems, the U.S. aviation control system continues to operate as a government monopoly.

American taxpayers and the flying public have already benefited from limited reforms that policymakers implemented before the latest controversy. Prior to the 1998 wage contract, the FAA contracted out 187 Level 1 towers to private controller services. The move saved taxpayers $250,000 per tower per year, according to a review by the DOT Inspector General.

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 taxpayers an estimated $63 million per year.[4]

Despite pro-union resistance from both parties in the House and Senate, the FAA contracted out the 2,500 employee positions in flight service centers to a private company, saving $2.2 billion over the next 10 years. The company will save money 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 government workers to fall from 2,500 to 1,500—all while providing the same or better services.

What the Administration and Congress Should Do. The Administration and Congress should build on its heretofore successful resistance to NATCA's excessive wage demands, as well as on related privatization experience, by pursuing a comprehensive restructuring strategy that will move the FAA into the 21st century. To achieve this end, the President should:

- **Veto any legislation that overturns or modifies the 2006 contract settlement with the air traffic controllers**.
- **Expand competitive contracting and privatization opportunities at FAA,** such as those that already have reduced costs and improved safety in the system.
- **Develop legislation to privatize or commercialize 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 concession to the controllers union in 1998, his Administration conducted a detailed and positive review of such a privatization,[5] and Vice President Gore's Reinventing Government initiative reviewed this out-

4. 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.*
5. See U.S. Department of Transportation, "Air Traffic Control: Analysis of Illustrative Corporate Financial Scenarios," May 3, 1994.

come favorably. As much of the world continues to flee from the destructive consequences of socialism, the United States could at least join the auxiliary movement by committing to a formal study of the costs and benefits of privatizing air traffic control.

Conclusion. The Administration has had some success in enacting reforms that undermine the forces of privilege and entrenchment within the federal bureaucracy. One particular success was enhancing the quality of the FAA's flight service centers while reducing costs and improving service and technology.

Resisting congressional efforts to provide excessive pay increases to the air traffic controllers presents another challenge and an even greater opportunity for the Administration. Following a successful veto of the bill, the FAA should set a goal of contracting out the remaining government-operated Level 1 towers to achieve the estimated savings of $63 million. Once this is accomplished, the FAA should introduce legislation to commercialize its air traffic control system by spinning it off into a not-for-profit government corporation.[6]

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6. Robert W. Poole, Jr., "The Urgent Need to Reform the FAA's Air Traffic Control System," Heritage *Backgrounder* No. 2007, February 20, 2007.