

# The Moral Hazard of ATC Privatization

By Jeff Hamilton

The theory and practice of aviation safety is grounded on the balancing of risk and cost. Cost can take many forms, e.g. economic costs, time delays, rules, etc. In theory, the safest course is to stay on the ground. But we choose to exercise our freedom to fly, using our best judgement and practices based on experience and rules – many written in blood.

Who makes these rules and manages the ATC system that applies them? The FAA does. Congress entrusts the FAA with the responsibility and authority to balance risk vs. cost. We trust the FAA is independent and does not have a conflict of interest in performing this duty. We can debate and sometimes disagree with FAA points of view, but we do not question their independence as they define the proper balance between risk and cost. They do their best to represent the best interests of the country and the public at large.

Imagine a privatized ATC responsible for this balancing act. A diverse Board of Directors supposedly representing all aspects of aviation naturally brings with it the self-interest inherent in each party's point-of-view.

The airlines naturally are concerned with maximizing profits. The unions are concerned with working conditions and employment security. General Aviation is concerned with costs and access to the system. These are simplifications, but they illustrate that each of these parties brings an inherent conflict-of-interest. All decisions, including safety related decisions will be argued from the point of view of each Board Member.

This is the Moral Hazard. It can occur when one person or entity, the "agent," makes decisions that impact another person or entity, the "principal" but is motivated to act in their own best interests. In this case the agent is the ATC Board of Directors and the principals are the pilots, the users of the system and the public at large. Board Members would naturally be motivated to act in their own best interests, which may be contrary to those of their principals.

Where will the line between risk and cost be drawn? Spacing between aircraft on takeoffs and landings, airspace management, access to airspace, enroute separation and cost sharing are examples of FAA decisions made by people without conflicts-of-interest. What decisions will this conflicted Board of Directors make? Will there be winners and losers? Will safety be unduly compromised?

A privatized ATC leads us directly to a future with a conflicted Board of Directors and a lack of independent decision making. Most importantly, Congressional oversight of this important and valuable national resource would be lost.

This is uncharted territory.