Conservative group asks Shuster to pull FAA bill

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FOR IMMEDIATE RELEASE
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Alexandria, VA – The American Conservative Union Foundation (ACUF) has evaluated H.R. 2997 – The Century AIRR Act to determine whether or not it would actually result in privatizing a public agency. The ACUF has outlined and defined Seven Principles of Privatization that establish a framework necessary to declare whether an entity is actually privatized. While applying these Seven Principles to H.R. 2997 – 21st Century AIRR Act, we utilized a three-tiered grading scale to determine how fully each of these Principles were met. After fully analyzing the degree of consistency with our Seven Principles, the ACUF has determined that the proposed plan would not actually privatize a governmental entity.

While there are some aspects of this legislation that partially hit the mark when it comes to establishing a true private entity – such as allowing the new enterprise to determine capital expenditures, and employing the use of new or innovative technologies – it misses completely when it comes to the actual transfer of power from public to private hands.

Specifically, private enterprises would not be allowed to compete for ownership of the newly created entity, American Air Navigation Services Corporation (AANSC). In fact, the very make up of this entity raises serious questions as to how this transfer of power would work: the U.S. Secretary of Transportation would be given the authority to decide the makeup of employees and approve the fees to fund operations while the Board of Directors, which would include directors appointed by the government, would have to accept existing union contracts.

In addition, the bill language prohibits outside investors as well as the sale of equity shares. Because AANSC would be a not-for-profit corporate entity controlled by the federal government, it would not be possible to shield taxpayers from future liability. Lastly, there is no provision explaining whether or how the new entity would acquire private insurance coverage. It remains an open question whether there would be an insurance carrier willing to underwrite air traffic control risks.

According to the Congressional Budget Office (CBO), H.R. 2997 would increase net direct spending by $90.7 billion, increase net deficits by about $20.7 billion, and result in discretionary outlays totaling $52.3 billion over the 2018-2027 period, contributing to the already out-of-control spending problem we desperately need to curtail.

Much like other quasi-private entities like Fannie Mae and Freddie Mac, H.R. 2997 would produce a hybrid organization exhibiting both government and private-sector legal characteristics, resulting in a scenario where taxpayers would be exposed to undue risk while the labor costs associated with this new entity would go unchecked.

The ACUF would gladly stand in support of true policy efforts to privatize our air traffic control system that better reflect the ideals of privatization – those that align with a more robust free market and exhibit a true transfer of power from public to private hands.

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PRIVATIZATION PRINCIPLES AND H.R. 2997

The American Conservative Union Foundation (**ACUF**) has outlined and defined Seven Principles of Privatization that establish a framework to determine whether a reform effort results in an agency's privatization. We apply a three-tiered grading scale to each of the Seven Principles in this evaluation. After fully analyzing the degree of consistency with our Seven Principles, the ACUF has determined that H.R. 2997 – 21st Century AIRR Act fails to live up to its billing.

Below are the Seven Principles of Privatization and ACUF's analysis of the proposed legislation:

1. Privatization transfers enterprise ownership, in whole or in part, to private hands or transfers the use of an asset to private hands for a sufficient time so as to replicate ownership (i.e. a 50 year concession or lease structure). Private enterprises are allowed to compete for the ownership either by bidding for an upfront payment, profit sharing over time or by setting service standards. Examples include the British rail system and the dissolution of government run enterprises in formerly communist countries (e.g. Poland and Czechoslovakia).

HR 2997—Fails to Meet.

Explanation: Private enterprises are not allowed to compete for the ownership of the "American Air Navigation Services Corporation" (herein, AANSC). In addition, it is very hard to argue that AANSC is even a private entity based on the board composition (see #2, below).

2. Privatization allows the new enterprise to choose its employees and their compensation. Similarly, the board of directors will be comprised exclusively of non-government employees.

HR 2997—Fails to Meet.

Explanation: The U.S. Secretary of Transportation is given the authority to decide the makeup of employees and the Board of Directors must accept existing union contracts. In addition, the Board will include directors appointed by the government. In fact, unaffiliated private citizens have no opportunity to secure appointment to the Board.

3. Privatization allows the new enterprise to decide on the price of its product or service.

HR 2997—Fails to Meet.

Explanation: The U.S. Secretary of Transportation must approve the fees to fund operations of AANSC.

4. Privatization allows the new enterprise to determine capital expenditures and to employ the use of new or innovative technologies, usually subject to some minimum level of operating or service standard.

HR 2997—Partially Meets.

Explanation: Nothing in the bill language prohibits the AANSC from using new and innovative technologies. It may also assess and charge fees to meet its financial needs. However, the Board must submit a fee proposal to the Transportation Secretary for her approval.

5. Privatization allows investors to participate in the process of ownership and to reap the ongoing financial reward associated with their investment or capital outlay.

HR 2997—Fails to Meet.

Explanation: The bill language prohibits outside investors or the sale of equity shares.

6. Privatization transfers the risk of operation to the private sector.

HR 2997—Partially Meets.

Explanation: While the bill language explicitly states that the federal government will neither guarantee any debt of the AANSC nor be liable for its debt, there is no provision explaining whether or how the new entity would acquire private insurance coverage. In fact, it remains an open question whether there would be an insurance carrier willing to underwrite air traffic control risks.

7. Privatization ensures the taxpayer's burden is limited and the quality of the resulting service or product is improved.

HR 2997—Fails to Meet.

Explanation: Because AANSC is a not-for-profit corporate entity controlled by the federal government, it is not possible to shield taxpayers from future liability.