
Interview: Douglas McLean

Bid to privatize air traffic control meets opposition in Great Britain

Douglas McLean is the U.K. public relations officer for the Air Traffic Controllers Branch of the trade union IPMS. He is a working controller with 25 years experience in Great Britain; he worked at many Scottish and English airports before taking up his present position at the Scottish and Oceanic Air Traffic Control Center in Prestwick, Scotland. He was interviewed on Dec. 4, 1996 by Katharine Kanter.

EIR: Who is proposing to privatize air traffic control (ATC)?

McLean: It was considered five times during the Thatcher governments of the 1980s. None of those plans came to public consultation. In late 1993, the present Conservative government proposed privatization and published a White Paper sketching out their plans.

The time-scale for consultation was six weeks. For such a radical change and so many problems to address, this figure was roundly condemned by politicians and airspace users alike. For example, a British Airways spokesman said: "The proposed method of privatization to a profit-making body is consistent with the Eurocontrol Convention that ATC services should not make a profit, and with international practice generally. . . . The department's proposals do not do anything to advance the important objective of creating a unified system of ATC for Europe." And a spokesman for the British Airline Pilots Association said, "Privatization is at best, pointless; at worst, it could have severe implications for the safety of the travelling public."

The House of Commons Select Committee on Transport was most concerned to hear of the opposition and safety concerns. They called government and interested parties to give evidence on the matter. Their eventual report slated the government for rushed consultation and poor planning. They were not convinced of the need for privatization.

In November 1983, the Chancellor of the Exchequer, Kenneth Clarke, had announced that the government favored privatizing the National Air Traffic Services (NATS) in the long term. It was recognized that finance was needed to expand and upgrade ATC facilities in the U.K. He therefore announced that the planned new Scottish ATC Center would go ahead, but not be government-funded. Instead, it would be built, owned, and operated by a private company under the government's Private Finance Initiative (PFI). The ATC Cen-

ter would then be operated by NATS staff on behalf of the U.K. government, and lease payments would be made to the private company. This idea came as a complete shock to NATS management and staff. It took over a year to understand what the PFI rules were and to put the project out to tender. Two major consortia have bid for the project. One is led by Hughes Aerospace of Canada and the other by Lockheed Martin of the U.S.A. A contract is supposed to be awarded by January 1997.

There are two elements to this contract. One is to re-equip the Oceanic ATC Center at a cost of some £30 million. This is for air traffic control of all flights from Europe to North America, with the control extending out to halfway across the Atlantic Ocean. The other is to build a new U.K. domestic ATC center that will also house the Oceanic center and control many of the aircraft flying in or over the U.K. This would include all of Northern England, all Scotland and Northern Ireland (Ulster). This larger project was costed at some £200 million.

The present ATC centers are combined under one building and cost some £24-25 million per year to operate. All of this cost is recovered from the civil and military flights using the services. In early summer 1996, stories began to emerge that the PFI method of funding and building the ATC center was going to be more expensive than government funding. It was said that over a 20-year period, the costs of being run by private companies would be upwards of *£1.5 billion*, with a possible cost twice or more than that amount. This would put annual running costs at well over £70 million per year. These figures cannot yet be confirmed, as they are still deemed "commercial in confidence." At this point, discussion took place between NATS management and the U.K. Treasury Department. Having seen the cost of the PFI, and not wishing to invest any public money in this vital aviation infrastructure safety service, the suggestion was again made that privatization be considered.

For the seventh time, privatization was examined. The very fact that the U.K. runs a joint civil/military ATC service, sharing common equipment and facilities, made privatization difficult. Our commitments to European and North Atlantic ATC harmonization mean there are commitments to the ATC service that may not produce immediate returns on capital

spent. No other country in the world runs a national ATC system that is fully privatized and 100% owned by shareholders with shares traded on the stock market. The U.K. would also have to explain its conduct to the European ATC body Eurocontrol, whose rules state that ATC services should not be run for profit. Charges may be made to cover costs with a reasonable return on capital employed. It would also have to explain to foreign airlines why a British company was allowed to make profit for shareholders when the airlines were forced to use this monopoly safety service.

As an election must be held by May 1997 at latest, the government, with a Parliamentary majority of one MP, decided not to press ahead with privatization during this Parliament. The transport secretary, Sir George Young, stated to the House of Commons on Oct. 25, 1996, "that the government intend to introduce a privatization bill early in the new Parliament. The National Air Traffic Services face continuing demands for additional investment in the latest and most sophisticated equipment. The government believes that these demands can be most effectively met in the private sector, freed from the constraints of public expenditure control."

NATS staff now know a return of this government will mean a launch into a privatization that no other country in the world will countenance.

EIR: What private interests lie behind ATC privatization?

McLean: This question has never been answered, because no government has ever fully privatized an ATC system in the way proposed here in the U.K. Even here, with privatization proposed, there are no obvious queues of investors for a private company. Our fears are that shareholders would seek to maximize returns on investment and that the long-term integration of ATC services would suffer. There would often be no shareholder advantage in investing in equipment that would save airlines money because most flights have no choice about their routes. If they need to fly over Scotland to get to the U.S.A., then the monopoly ATC supplier will get their money, even if the flight is delayed.

Because ATC equipment is so specialized and relatively expensive, there are only a number of international companies which can manufacture and install equipment. They may be attracted to buying into the ATC service so that orders for equipment come to their own companies. . . .

Interestingly, the international ownership of airlines is tightly controlled. I cannot buy an airline in the U.S.A. Regulations never envisaged ATC being sold off to shareholders. It is perfectly feasible that a privatized ATC company would bid to run ATC in other countries. How would the residents of Florida feel about Air Traffic Control over Florida being done from Scotland or Russia? The technology is available to make this possible. Why not move operations to areas where labor costs are lower? Already, we see a major British airline moving major parts of ticketing and reservations to India to take advantage of costs! Technological advances mean that

air traffic control could be done by this third-party method.

EIR: What effect would there be on flight safety and job security?

McLean: You can only increase profits by cutting costs or increasing traffic throughput. At least 75% of the cost of running an air traffic control service is staff. People make the decisions which matter. Cutting staff would increase pressure on individual ATC operators, who are already under great pressure. Attempting to increase the number of flights handled would have the same effect. Without an increase in the number of highly trained and experienced staff, safety would suffer. We are already running at maximum capacity over much of each day, in all weather. It could only need a small increase in traffic levels, and something unusual to happen to produce a potentially catastrophic result.

We would expect to see some of the safety services we provide for private fliers ended because they do not make money. We would expect to see radar services provided to aircraft over remote areas, being reduced or abandoned. At the very least, a huge increase in charges that would make no economic sense for airlines operating such routes.

The travelling public presently have the protection of a safety service run with equal priority for all who wish to use the airspace. If that priority was turned around to maximize profits at the minimum risk, we would alter our processes. Business aircraft would be far less likely to get access to busy areas of our system. They may have to settle for a lower standard of service or even no ATC service at all. They certainly would not have equal priority to a B-747 full of passengers who were able to pay hundreds or thousands of pounds for priority service.

We believe that a privatized ATC company would not take the decision to build a new Scottish ATC center, but would instead try to centralize all ATC services in one major center. This all sounds like good economics, until you look at the threat of that center being put out of operation. The U.K. and North Atlantic would have no ATC service available. Airlines would go broke in weeks. Trade between Europe and North America would plummet. Companies relying on international business would suffer. All because one company was allowed to attempt to maximize profit by putting all its eggs in one basket.

EIR: What would be the economic impact on the Scottish economy?

McLean: The Scottish ATC center employs 650 people. A local government survey was published in November 1996, which said that our ATC center contributes £27 million annually to the local economy. These are some of the highest skilled jobs in Scotland. Because of the relatively high average salary, estimated at £34,200 per annum, the 644 jobs here are estimated to generate another 284 jobs throughout Scotland. . . .