

NAV CANADA: A Multi-Stakeholder Approach To Alternative Service Delivery

**by Glen McDougall, President
mbs ottawa inc.**

February 2003

When NAV CANADA began service in November 1996, Canada became the first country to transfer its air navigation system from a government department to a fully private, not-for-profit organization. Like many other transitions to alternative service delivery, the NAV CANADA experience was, in part, the product of comprehensive consultations. In this case, the players included government, the airline industry, airports, unions, the public and the management and staff of Transport Canada's air navigation services. The non-adversarial approach employed during consultations proved effective in achieving a solution which all parties could accept. Indeed, the multi-stakeholder decision-making approach was so valuable that it has become an integral part of NAV CANADA's organizational structure: the board of directors includes appointees of government, airlines, business aviation and unions. The NAV CANADA approach has become a model for consultation on alternative service delivery transitions.

Context

Several factors contributed to the commercialization of Canada's air navigation system. Deregulation of the airline industry in 1987 led to a rapid increase in air traffic; a hiring and wage freeze in the public service limited the number of air navigation services staff available to meet client demand; a move towards "user pay" led to the consequent need for more "user say"; a royal commission on national transportation recommended alternatives to the existing air navigation system; and procurement and employment practices were too slow and inflexible for the dynamic changes in the aviation industry.

Objective

The objective of the consultation was to make a sustained attempt at commercializing Canada's air navigation system. While most stakeholders, including airlines, unions and governments, favored changing the system, its form and structure had yet to be determined. A consultative process, to be jointly sponsored by aviation organizations and government, and to include stakeholder groups and citizens, became the preferred approach to addressing the issue.

Process

In 1994 Transport Canada set up a project team and initiated dialogue on three tracks – one with stakeholders, another with citizens, and a third with government departments involved in or affected by the transition.

Advisory Committee of Stakeholders

An advisory committee involving all major stakeholders was established by the Department of Transport to identify preferred options for the new air navigation system. This was a large committee of groups with diverse, sometimes conflicting, objectives. These groups included airline industry associations, private aircraft operators, aerospace industries, airports, unions and government. The departmental project team supported the stakeholder advisory committee by conducting studies, organizing meetings, and providing summaries of meeting outcomes.

The committee's work was transparent, and information on the proceedings was available to all interested parties. The airline industry had three main interests: that "user pay" would mean "user say", reflecting a shift of accountability from government to users; the government would not be involved in operating the new body and that the new entity would not abuse its monopoly power. Unions wanted costs to be fully recoverable, but argued that it was against the public interest for the new organization to make a profit. They also wanted to protect jobs and benefits. The government was particularly interested in safety, efficiency, and meeting social responsibilities – such as maintaining services to the North at no extra charge.

The stakeholder advisory committee considered several organizational models for the new system: a special operating agency within Transport Canada; a government-owned and contractor-operated agency; a government-owned corporation; a public-private partnership; a not-for-profit corporation; and for-profit firm. The preferred option which evolved from the work of the advisory committee was a fully private, not-for-profit corporation, a model which satisfied the primary interests of most participants.

Public Forums

Public forums on the future of the air navigation system were conducted in ten locations across Canada. Five discussion papers dealing with a range of issues, such as the state of the air navigation system, alternative pricing models, and international experience, laid the groundwork. Participants discussed facts, figures, and several reform options, resulting largely from the work of the stakeholder advisory committee. Each of the public forums was attended by citizens and community groups. Although overall attendance was not as high as anticipated, participation was active.

Interdepartmental Steering Committee

An interdepartmental steering committee of federal departments involved in or affected by the transition served as an information-sharing and consultative group.

The three consultative streams resulted in a common solution – to establish a not-for-profit body controlled jointly by the airline industry, business aviation, staff and government. Transport Canada actively sought to ensure that the board of directors of the new air navigation services organization would reflect those interests.

Challenges

Providing job security. In order to mitigate union concerns about the proposed new organization, adequate job security provisions, such as cash payments or an early retirement package, were required. This was achieved with a memorandum of understanding between all unions, NAV CANADA and Transport Canada.

Calculating the value of the existing government-run air navigation system. This proved to be a difficult issue. It slowed the consultation process and increased its complexity, since an accurate evaluation was essential to determining future government support, staffing levels, and prices for NAV CANADA's services. In the end, the value was based on expected revenues, and discussions were based on those numbers.

Lack of transition knowledge and experience. Because NAV CANADA was to be a unique entity, there were no similar Canadian experiences from which to draw. However, the experience of other countries with similar organizational transitions was particularly useful in illustrating some of the costs, benefits, and implications.

Results

1. NAV CANADA now functions as a successful not-for-profit, self-regulating private corporation. The federal government continues to regulate safety, but not fees.
2. The fifteen member board of directors of NAV CANADA has complete authority over pricing and delivery of air navigation services in Canada, with restrictions specified by legislation and agreements. Moreover, its structure reflects the multi-stakeholder character of the advisory committee: four members are nominated by the airlines, one by business aviation, two by employees and three by government. There are an additional four seats on the board plus the chief executive officer who is selected by the board.

3. Under the new structure, more than 6,200 employees of Transport Canada were laid off from government and rehired by NAV CANADA, retaining benefits, pensions, and unions.
4. The process to develop NAV CANADA brought about a win-win situation for all stakeholders involved.

Lessons Learned

Joint sponsorship by government and industry added legitimacy to the consultation process. It was not, nor was it perceived to be, a government-driven exercise.

Separate dialogue tracks for stakeholders and the general public proved fruitful. Distinctly different and important issues arose in the two contexts.

Comprehensive, easy-to-read background papers were useful in framing the discussion. In this case, they successfully outlined issues and options and put the government position “on the table” for the public to respond to.

Multi-stakeholder processes are likely to run more smoothly when the main objectives of all players can be achieved.

Creating checks and balances within a new organization helps players maintain accountability, continuity of partnerships, and collective ownership.

The active involvement and support of other government departments and central agencies was key to moving this complex devolution forward.

Acquiring talent and expertise is necessary to achieve major change. Contracting experienced consultants, investment bankers and commercial lawyers and establishing a dedicated team of Transport Canada staff were essential elements in ensuring success and meeting time lines.

mbs ottawa inc. offers consulting services related to commercialization of air traffic control services. Glen McDougall is President of mbs ottawa inc. and a former Director General at Transport Canada. He served as Deputy Chief Negotiator for the Canadian Government during its sale of the Canadian air navigation system to NAV CANADA and was responsible for the design and management of the consultation process described in this article. For more information, please contact Glen at glen.mcdougall@mbsottawa.com