



ATM Professional Staff Organisations input to the proposed revision of the Performance and Charging Scheme Regulations

21st April 2017

The Air Traffic Management (ATM) Professional Staff Organisations (PSOs)¹ submission in relation to the Single Sky Committee working papers from the AD Hoc SSC meeting 27th March 2017.

As representatives of the staff that work in the EU ATM environment we have a unique view of the impact of the performance and charging regulations and we would respectfully request the Commission incorporate our views into its thinking in the coming months, as changes to the aforementioned regulations are proposed. For ease of reference the comments are aligned to the structure and formatting of the SSC Working Papers.

The PSOs are committed to a modern, state-of-the-art, innovatively driven, socially responsible and long-term sustainable ATM service provision at a fair cost for the users. The PSOs have identified some worrying trends, in particular, regarding the long-term sustainability of the European ATM System. It is therefore time to reflect on the direction of the Single European Sky (SES) and especially the Performance Scheme moving forward. The PSOs believe that there is a need for:

- A collaborative approach to achieving the goals.
- Invest in operational staff to handle both:
 - the infrastructure transformation in ATM,
 - increase in traffic.
- Focus on realistic technological changes that can bring capacity increases,
- A significant reduction in the number of current projects.

Without full cognisance of the items identified above, the ATM system will not be able to increase performance in an acceptable way for all stakeholders. RP3 should be adapted

¹ The ATM Professional Staff Organisations are ATCEUC, ETF, IFAIMA, IFATCA and IFATSEA

accordingly in order to be able to reach the SES objectives, through the implementation of the adjustments proposed in this paper.

The PSOs would also like to proactively contribute to the strengthening of the performance scheme by tabling a proposal that introduces the issue of change management. We feel this is a key part of the 'human dimension' and the correct management of change as SES is progressed will be critical to its success. In the coming years, many areas of the provision of ATM will face change. These could be social issues relating from impacts of the Performance Scheme or EASA regulation and/or technical change as a result of SESAR deployment. The management of change when done well is almost transparent, but becomes very visible when not managed properly. In order to provide focus and encourage successful change management the PSOs propose that a change management indicator is established within the performance scheme to monitor change. This concept is further developed in Appendix A.

Performance Scheme. PSO Inputs in response to the SSC/17/Ad-

Hoc/WP 5 Agenda Item 4.2

PS2.1 Issue:

Drawing-up of performance plans and geographical scope (Article 11 of the Performance Regulation)

Rationale:

In ATM, cooperation is not merely a business opportunity; it is an operational necessity. FABs are a SES tool to enhance ANSP cooperation. So far, the results of the FAB cooperation are poor because of political constraints. The FABs could be a vehicle for the deployment of technical solutions. Through performance regulation a proper balance or proper solutions must be found to improve cooperation and reduce potential administrative burden.

Options:

Option 1: Status quo with performance plans being established at FAB-level

Option 2: Performance plans established at FAB-level, but targets set at national (or charging zone level).

Option 3: Performance plans established at national level and no FAB-targets.

PSOs position:

Option 3 would be an interesting solution to maintain the cooperation on a technical level of the ANSPs and to simplify the Performance Scheme.

PS2.2 Issue:

Duration of the reference period (Article 8 of the Performance Regulation).

Rationale:

There is an observable trend that the Performance Scheme has caused ANSP to focus on short-term measures to comply with the targets set at EU, FAB and local level, losing sight of the long-term evolution of the overall performance of the system. In an industry where long life cycles are required due to the specificity of the sector, it certainly shows a worrying trend. Of particular concern is the fact that the Performance Scheme has led ANSPs to rely heavily on overtime, and to introduce new questionable rostering practices to cope with peak traffic situations. The hiring of ab-initio operational staff has been reduced or even worse completely stopped.

Options:

Option 1: Status quo (5 years)

Option 2: Status quo (5 years) with on-going management of changes in air traffic and capacity.

PSOs position:

The PSOs support a 5-year reference period. Whilst we recognise due to the regulation the maximum length is 5 years, we would advocate exploring an even longer reference period, to better align with the lifecycle of ATC structures. Within the reference period flexibility must be built in to take in to account the fundamental roles of interdependencies between safety, capacity, environment and cost.

PS2.3 Issue:

Revision of performance plans and targets (Articles 17 and 19 of the Performance Regulation).

Rationale:

The threshold mechanism has to be transformed. The 10% threshold is too high and nothing is planned to avoid any threshold effect. Predefined and automatic solutions with clear procedural routes in case of unforeseen circumstances will have to be prepared before the beginning of RP3. The sentence: "The Commission may decide to revise" in article 17 is no longer a desirable solution. States, ANSPs and Staff have to also be involved in the decision making process.

Options:

Option 1: Status quo with changes as mentioned in the rationale.

Option 2: A new mechanism may be designed that leads to a process that allows for a simpler revision of performance targets (when duly justified by unforeseen circumstances), including stakeholder consultation and assessment of consistency of revised performance targets.

PSOs position:

The PSOs support option 1 with the additional solutions proposed in the rationale.

PS2.4 Issue: Target setting and assessment process

(Articles 14-16 of the Performance Regulation)

Rationale:

For RP1 and RP2, two aspects of the regulatory framework have had strong negative effects on the European network. The first aspect is the use of a top-down methodology to define EU-wide targets. This methodology has completely ignored local circumstances and has not permitted the identification of adequate contributions at individual ANSP level.

The second aspect is that the EC falsely and strongly believes that the economic, technological and social situations of ATM actors is homogeneous across Europe. This assumption was made not only during the target setting process, but also during the assessment procedures.

Neither the EU target-setting, nor the assessment processes, took local circumstances adequately into consideration such as:

- *legal set-up,*
- *ANSP investment cycle and history,*
- *national economic situation,*
- *national tax system,*
- *local requirements,*
- *local interdependencies between KPAs,*
- *airports and airline requirements*

Options:

Option 1: Status quo

Option 2: Make better use of local information in view of setting Union-wide targets.

PSOs position:

Option 2 would be the preferred solution with strengthened wording. Local circumstances must be fully taken into consideration. The wording “make better use of” does not reflect properly the key role of local circumstances in the performance when aggregated at EU level. It is crucial to consider local circumstance to achieve the goals of the SES.

PS2.5 Issue: Monitoring performance

(Article 18 of the Performance Regulation)

Rationale:

ATM is a complex industry with strong local specificities. If we make it too simple, the analysis of the situation will not bring the added value expected. Strong efforts will have to be made to analyse the information coming from the SES States. More detailed analysis and the accommodation of local adaptations will be required.

Options:

Option 1: Status quo

Option 2: Standardise reporting requirements based on simplified tables covering all key performance areas. Review added value of information collected for non-regulatory purposes.

PSOs position:

Limited reporting could create a too simplistic view of the performance at local level. An analysis of the information from the states is a prominent part of the process.

PS3.1 Issue: Safety

Rationale:

The PSOs support the industry lead approach using the SKPI working group. The use of lagging indicators, whilst a useful tool in the past for monitoring, should be reduced and complemented by the use of leading indicators, using the effectiveness of safety management methodology. We would advocate that safety remains part of the performance scheme in order to continue its focus, and to ensure the regulatory environment of the other 3 KPAs is not allowed to overshadow safety itself. Any automated recording used in conjunction with lagging indicators should be fully consulted with staff, proportionate, and data used within the principles of Just Culture. Targeting of lagging indicators is not acceptable due to the negative impact and poor behaviours that maybe exhibited in reporting and Just Culture standards.

Just Culture should continue to be targeted as a minimum at National level, but ideally at EU wide level, to ensure compliance with the Just Culture principles established in regulation 376/2014.

PSO position:

The staff organisations in general support the work of EASA. We are concerned about the use of automated recordings, and the use of indicators should focus on leading indicators. Just Culture needs to be included.

PS3.2 Issue: Capacity

Rationale:

We would support leaving the Capacity KPI unchanged, and having greater data available from a more coordinated NOP process. However, this must be at an operational level, not at a regulatory one. The dynamic adjusting of capacity outside of rostering patterns is

notoriously difficult to do quickly due to the infrastructure nature of ATM. Whilst it is recognised that there is a desire to match capacity with demand, there is a clear link with airspace user actions with respect to the scheduling of their operation. This is outside of the control of the individual ANSPs, and is much more dynamic than ANSP investment and resourcing plans. Continued operation at extremes of capacity is against the goal of ANS and will be counterproductive for safety and thereby the system. In order to be safe and to be able to respond to surprises the ANS needs a built in margin.

PSO position:

The staff organisations can accept an unchanged capacity target with more emphasis on the operational level.

PS3.3 Issue: Environment

Rationale:

The Environment KPA is often the last KPA to be considered. This KPA is usually only afforded due consideration when it has a cost benefit, such as direct routings. The Commission should explore a target or indicator, which encourages airspace users to fly the most environmentally friendly route (taking into account metrological and capacity concerns) to demonstrate the importance of this KPA. This would ensure that flexible use of airspace initiatives are fully taken advantage of. The vertical flight efficiency concept, whilst being an important issue for the environment, needs much more development. It is not mature enough for inclusion in RP3. There are many interdependencies and tactical issues surrounding vertical flight efficiency, as well as airspace user operational processes and preferences, which will not be obvious to ANSPs, and the potential for unfair penalties on them would be high. A technological solution, common to all ANSPs would also need to be developed and implemented in order to monitor this on a level playing field. This would introduce an additional cost, contrary to the ideals of the scheme.

Noise and Local Air Quality are sensitive political issues, which are actually largely outside of the ANSPs control. Airspace design whilst having an impact on noise is not purely subject to the whim of the ANSP in most cases, and is a consultative process with the community and politicians. Therefore, to target ANSPs on noise, with little opportunity to affect this is unfair. Local air quality is as much harmed by airport supporting infrastructure (e.g. passengers traveling to the airport), as aircraft themselves and again is not within an ANSPs control.

PSO position:

The PSOs agree with the SSC paper that indicators in noise and local air quality are neither mature enough nor suitable for the reasons provided above.

The vertical flight efficiency concept is not mature enough for inclusion in RP3. There are many interdependencies and tactical issues surrounding vertical flight efficiency, as well as

airspace user operational processes and preferences, which will not be obvious to ANSPs, and the potential for unfair penalties on them would be high.

The PSOs support the use of free route airspace, however it must be noted that the airspace users and the military have a great influence on horizontal efficiency through routing choices and use of military airspace.

PS3.4 Issue: Cost-efficiency

Rationale:

The Determined Cost methodology should continue to be used in the short to medium term, but consideration could be given to other methods of financing European ATM in the future. The PSOs agree with the heterogeneity of the ATM situation in Europe and some ANSPs are under considerable pressure. Providing extra capacity can be considered as a challenge which requires important financial and human resources. Nevertheless, the solution proposed by the SSC working paper cannot be considered as acceptable. The local level should play a central role in the decision-making process. The proposed approach by SSC is not a bottom up approach and the local ability to decide is not taken into consideration. The EU level is not the adequate level to define and decide what could be the proper solutions at local level. Furthermore, it should be noted that this is not always as rapid a solution as may be envisaged due to the constraints on increasing capacity quickly. In ATC units that have been identified with small capacity margins and high load factors, an extra allowance for capacity should be made in general terms, allowing for future growth over the reference period. This could be provided for with elasticities or ranges on cost efficiency but these must be set by the NSA in conjunction with the ANSP.

PSO position:

DC methodology is supported for cost efficiency and interdependencies must be properly considered. The decision making process must be at local level, with a bottom up approach, taking into proper consideration of the local specifics, and local flexibility: all these elements should form the basis of the cost efficiency target. In ATC units with little margin for rapid capacity growth an extra margin of capacity should be factored in to performance plans.

PS4.1 Issue: Better integration of the Performance scheme and NOP 'planning loops'

Rationale:

Economic regulation must not be confused with operational performance. Whilst there are synergies with operational performance as part of target setting within the performance regulation envelope, the two are not symbiotic. Rebalancing capacity is a difficult aim, which is much more dynamic and a tactical issue, most probably per season as airspace users change their network operations. This should sit inside a performance regulatory approach,

which allows for a pre-defined upper capacity limit. ANSPs cannot be expected to dynamically amend capacity provision outside of wide parameters due to the length of time it takes to generate additional capacity and the significant social issues reduction in capacity could generate. There is however benefit in matching available capacity to demand through the NOP process so that airspace users and ANSPs can make intelligent decisions about scheduling and planning.

Options/PSO position: Operational planning should not be confused with economic regulation.

Charging Scheme. PSO Inputs in response to the SSC/17/Ad-

Hoc/WP 6 Agenda Item 4.3

CS2.1 Issue: Traffic risk sharing

(Article 13 of the Charging Regulation)

Rationale:

The concept of traffic risk sharing should be retained and the current practice should be improved. The ANSPs have little influence on the traffic volumes and the flow of traffic. Geopolitical and other external risks create traffic pattern variations outside of the control of the ANSP: these risks must continue to be shared and risks that expose ANSPs should be diminished. The alert threshold is too high and should be changed. There is the need for a better definition of what happens when the threshold is exceeded.

Options:

Option 1: Status quo.

Option 2: Adjustment in one or more of the three underlying factors (for example removing the dead band, different sharing keys).

Option 3: Maintain traffic risk sharing (under current arrangements or amended as indicated in option 2) but remove other risk-sharing arrangements.

PSOs position:

Traffic risk sharing (as with other risk sharing concepts) is a fundamental element of the performance scheme and must be retained. It is unfair to burden the ANSPs who are infrastructure business with largely fixed costs, with a risk outside of their control. The PSOs would support a lowering in the alert threshold level.

CS2.2 Issue: Cost risk sharing

(Article 14 of the Charging Regulation)

Rationale:

No changes are suggested here. ATM is an infrastructure sector and therefore needs to be preserved by stable working conditions and a proper cost risk sharing mechanism. The staff organisations will not accept that the future arrangements for RP3 will try to bring pension costs into the equation as proposed in option 3. This proposal is strongly regarded as an attempt to circumvent the principle of subsidiarity. As national law foresees in most European countries, the employees have a right to a pension. This obligation cannot be subject to any EU regulation.

Options:

Option 1: Status quo (subject to legal review).

Option 2: Remove the cost sharing mechanism.

This option should be explored in view of the regular revisions of the cost base done in the context of the RP preparation. Already under current arrangement, the risk borne by the ANSP is only within a reference period.

Option 3: Define a specific mechanism to report and handle pension costs.

The biggest component of "costs exempt" to date are pension costs. Variability of pension costs (defined benefit pension schemes) represents a risk to ANSPs and new measures could be considered to deal with this particular issue outside of the current "cost exempt" mechanism. The Commission is open to proposals from Member States most concerned with this issue.

PSOs position:

Status quo. The cost exempt provision needs to be maintained.

CS2.3 Issue: Inflation risk

(Article 7(1) of the Charging Regulation)

Rationale:

In order to minimise the scale and effects of adjustments the following process is proposed:

- *The Determined Cost for the coming year is inflated with the latest expected forecast of inflation for the coming year (e.g. from IMF WEO forecast October edition);*
- *The current year charged rate is inflated with the latest expected forecast of inflation for the current year and the difference between the expected/actual level for the year is added to N+2 unit rate.*

Options:

Option 1: Status quo

Option 2: Limit the application of inflation to certain costs (i.e. not to depreciation costs) or to a fraction of the total costs representing those subject to inflation (i.e. such as 70%) and cap deflation to 0%.

This option may however add additional and unnecessary complexity to the scheme.

Option 3: Introduce an “inflation risk sharing” mechanism with sharing keys 50%/50% to be adjusted automatically in N+2.

Option 4: Remove inflation adjustment if cost efficiency targets are set in nominal terms. This option would remove the need for an inflation adjustment and would go some way in simplifying the scheme.

PSOs position:

It is appropriate that the inflation risk is shared with users of the system. The PSOs understand the concern from some member states as set out in the SSC paper and would like to draw the Commissions attention to the Canso position on inflation risk which we would also support. For clarity, this is replicated below.

- This DC is adjusted to take actual inflation and updated forecast inflation into account (using the agreed index value applicable at national level for the period since the start of the RP, e.g. from IMF WEO forecast October edition):
- The DC for the coming year (N) is inflated with the latest forecast of inflation for the coming year;
- The current year (N-1) charged rate is inflated with the latest expected forecast of inflation for the current year and the difference between the expected/actual level for the year is added to the next year’s (N) unit rate;
- Where the applicable index is lower than the previous year (deflation), the index of the previous year is applied (i.e. no reduction).
- The variation in year N-2 Depreciation (vs the planned figure from the PP) is recorded and reported on for potential adjustment in the next RP.

CS2.4 Issue: Incentives

(Article 15 of the Charging Regulation)

Rationale:

PSOs are opposed to incentives in the way they have been used so far, as it leads to a perversion of the system. ANS is an infrastructure provider focussed on providing a safe service and due to conflicts or unintended behaviours that can arise, the introduction of economic incentives can’t be justified. We could however see that incentives could be used to build the margins that are necessary to maintain a safe and orderly handling of Air traffic. One example could be a 5-10% overstaffing that from an operational point of view is needed – in order to manage the transition to new systems and the deployment of SESAR solutions. This will secure the necessary safety and capacity margins.

Options:

Option 1: Status quo with development of further guidance or requirements to define such incentives.

Option 2: Review specific mechanics of incentives

This option will be further defined by the outcome of the study mentioned above. Two particular areas of interest are whether symmetric application of incentives, especially in the area of capacity, is valid and whether the size of the incentives, which are current capped at 1% of revenues is appropriate (noting it is weak in comparison to other risk/cost sharing arrangements).

Option 3: Base the incentive scheme on actual vs planned capacity rather than on ATFM delay per flight. This one as the second best option after 'no incentives'

This option would require changes in the targeting of performance in the key performance area of capacity so should be considered in the wider context of the performance scheme.

PSO position: Should incentives be used then they need to change character. They should be used to provide focus in ensuring enough staff are available to accommodate change, and to build in margins for safe and orderly handling of traffic is possible – particularly set against capacity growth.

CS3 Issue:

LIMITING THE NEGATIVE EFFECT OF ANS CHARGES ON ROUTE DESIGN AND ROUTE UTILISATION (ANNEX IV TO THE CHARGING REGULATION)

Rationale: *It seems that the current situation suits some countries. Option 2 and 3 could be promising solutions with additional guidance. The PSOs are concerned that Airspace Users speculate in direct routings that can give bottlenecks and other problems.*

Options:

Option 1: Status quo.

Option 2: Distance based on actual route instead of latest known flight plan.

Route charges would be computed on the basis of applicable unit rate and actual route in respective charging zones, instead of latest flight plan.

The impact on route charges and ANSPs revenue would be limited in general, more significant for a few States (see SSC/16/63/19). Cost reflectiveness would be improved as revenue would be closer linked with actual service provision. The negative impact of unit rates differentials on environment would be reduced but not suppressed as it may still be cheaper for airlines to fly longer routes than necessary. 7

This option would require adapting traffic forecasts before RP3 to allow the preparation of Union-wide and local targets.

Option 3: Route independent charging.

In this option, Route charges would be independent from the planned and flown routes. They would depend only on Origin-Destination (OD) pair, unit rates on a specified route and weight factor.

Revenue on the OD pair would be re-allocated to the relevant ANSPs in proportion of revenue that would be generated on actual route under option 2.

Such option would suppress the revenue argument in route design processes, and facilitate the acceptance by ANSPs/States of new routes proposed by the NM. However, it would reduce the current level of cost-relatedness and could introduce uncertainties in ANSP revenues.

This option might not be mature enough for introduction in RP3.

Option 4: Allowing temporary financial compensation for traffic shifts.

In this option, when a route design project between several ANSPs which improves overall operations but leads to traffic shift and therefore revenue shift, the charging scheme could allow the concerned ANSPs to agree on financial compensations during a transitional period (until the end of the current reference period for instance) in order to mitigate effects on revenues while implementing this project.

Option 5: Common unit rates for regions and/or split of charging zones between upper and lower level airspace.

This option would. However, it will have to be carefully evaluated ahead of time

PSO position:

The PSOs are open to examining different methods of limiting the negative effects of route charging. We are uniquely placed to give insight in to the day to day operational behaviour of airspace users and the impact on the network that their routing behaviour has. Options 2 and 3 could be interesting to progress, but we would reserve our support for them until more detail was available and proposals had reached a higher degree of maturity.

CS4 Issue: SMOOTHING OF CHARGES

Rationale:

If we allow continuing changes in the unit rate, either up or down, this might trigger consequences such as predictability of the future income for providers. It also makes it more difficult for the NM.

Options:

Option 1: Status quo.

Option 2: More flexibility to charge less without having to wait for the next Reference Period.

PSO position: Change in unit rates can change traffic patterns and reduces predictability. Therefore, the PSOs prefer option 1.

CS5 Issue: CAPEX MONITORING

(ARTICLE 6(4) OF THE CHARGING REGULATION)

Rationale:

CAPEX is already heavily discussed with the ATM/ANS stakeholders. More importance could be given to the consultation with local stakeholders. The role of NSAs is also of a great value to increase transparency, and provide assurance to customers on a proper implementation of the CAPEX plan taking into consideration local economic and technical circumstances.

The decision-making should remain within the entire remit of the ANSPs.

Options:

Option 1: Status quo.

Option 2: More detailed monitoring of CAPEX (planned and realised) by NSAs and Commission in conjunction with the implementation of the SESAR project.

Option 3: Define a specific mechanism to handle CAPEX costs (depreciation and interest) such as full cost recovery of these costs (which could be capped) in N+2 or following reference period(s) or elements of "conditional" costs, which are only triggered upon meeting of pre-agreed milestones.

PSO position:

Capex is a fundamental part of an ANSP cost base and must be set at an appropriate level to allow continuous investment. The PSOs firmly believe that it is up to the ANSP to decide on what investments to make, however it is appropriate that this is overseen by the local NSA who are best placed to ensure the investment is appropriate as they have the detailed local knowledge. Capex spend should be properly consulted with all stakeholders. Whilst SESAR initiatives are important, the local NSA and ANSP must have decision making powers to ensure that the technology is appropriate for that ANSP, there have already been too many examples of technology being deployed for the sake of it, rather than for real operational benefit.

The PSOs also believe that the level of funding and research has been too heavily biased on technology at the expense of the human in the system. The two will always have to work in harmony, with technology appropriately supporting the human operator. Consideration must be given to the SES 5th Pillar and the human dimension much more strongly in the Performance Scheme than has been in the first two reference periods.

Appendix A: Change management indicator proposal.

Change management and human factors are a key element of the ATM system in Europe. This has been recognised in SES by the need for the so called '5th pillar on the human dimension. The need for a proactive approach, for all changes that have to do with the safety of services provided by an aviation organisation, is a must.

Within the performance scheme many different factors and stressors will inevitably result in 'change'. This could be due to the performance improvements envisaged by the targets themselves, or by SES initiatives driven from SESAR, PCP or from EASA.

ATM will face large challenges in the introduction of these initiatives, particularly around new technology and automation tools that are derived from SESAR. To ensure this is managed in a comprehensive manner which allows for the minimum disruption and to realise the most benefit, it would be helpful as part of the performance scheme to focus and measure change management in a way that it is being considered and implemented appropriately. There are many examples of poor change management in which significant disruption has occurred both from a technological and social aspect, creating safety risks.

It is therefore proposed to introduce to the SES performance scheme a change management indicator, which would allow the progress and level of consultation and the delivery of change to be properly tracked. This would also enable the adoption of intermediate measures to mitigate possible risks and to facilitate/expedite the process.

The indicator, which would be coordinated by the PRB, could track several change management issues, using a similar methodology to that of the Effectiveness of Safety Management, where by a questionnaire is distributed to States for compulsory completion. This will need to be proportionate and not unnecessarily burdensome.

Areas that could be tracked and measured could include:

- a. The target of the change. What are we trying to achieve?
- b. Impact assessment of the proposed change on the working methods and relationships.
- c. The level of staff involvement in the change process, assessment of the buy-in process.
- d. Availability of appropriate human and financial resources.
- e. Provision of proper information and training.
- f. Monitoring impact of change against other PS KPAs.
- g. Assessment of the methodology used.

Within the State Performance plan, a requirement could be placed to define and then track ANSPs' change programs set against set criteria (e.g. those listed above). This could then be reported on and measured at an EU level, giving an overview of the effectiveness of change.