Commission hearing on the preparation for RP3

14th December 2016 – Brussels

Report

A Introduction

The Performance Scheme and Charging Schemes are at the heart of Single European Sky (SES) policy and are a major driver towards performance-based air traffic management (ATM). The performance scheme is approaching the end of the second year of Reference Period (RP) 2. Given the complexity of setting up each Reference Period, preparations have already started for RP3 (as of 2020). The Performance and Charging schemes must be discussed and analysed together in this preparation process since any amendment to one implementing regulation (IR) is likely to have implications on the other. This is due to their interrelation, particularly around cost efficiency and incentives.

An open hearing was held by the Commission on 14th December 2016 to hear the views of stakeholders across the aviation industry. The hearing built on the outcome of the stakeholder discussion on the Performance Review Body (PRB) White Paper that took place in Cologne in November 2016 and provided stakeholders with a forum to provide forward-looking, constructive ideas for RP3. This paper summarises the discussions at the RP3 hearing.

The discussion focussed on a keynote address from the Commission and two panel sessions to gather stakeholder views on the performance policy for RP3 and the second on the detail relating to measuring performance.

B Keynote address from the Commission

Mr Henrik Hololei, Director General of DG MOVE, welcomed the participants stating that the Performance and Charging Schemes are the cornerstone of SES.

The total improvements brought by the schemes over RP1 and RP2 have been estimated at €1.48bn. Of which €1.20bn is from operational benefits and €280m from financial savings with recent consultations indicating stakeholders are in broad agreement regarding the value of the schemes. Whilst this impact is worth noting, there is strong desire for further gains.

There is a wealth of experience and lessons learnt from RP1 and RP2 to date. These lessons were discussed in the context of the ex-post evaluation of the Performance and Charging Schemes and therefore the aim of the hearing was to look forward at concrete proposals for RP3.

In December 2015, the Commission published the Aviation Strategy noting their intention to review the Performance and Charging Regulations in preparation for RP3. Now is the time to engage and have open discussions on this subject and the outcomes of the hearing will be key in informing the Commission’s proposals for RP3.

The thinking behind RP3 has already started, in particular on the simplification of the schemes. Any proposals will be driven by the ‘better regulation’ principals, meaning that political decisions are prepared in an open, transparent manner, informed by the best available evidence and backed by comprehensive involvement of stakeholders. Finding the right balance between incentives and
proportionate regulation is crucial to ensure the best outcome for the end users, whilst building on market conditions where possible.

The following areas of key importance were highlighted:

- **Critical role of NSAs**, noting that their local knowledge cannot be recreated within EU structures. More needs to be done to reinforce and strengthen them to ensure they have sufficient enforcement powers whilst also minimising the administrative burden;
- **Provision of a gate-to-gate approach**, which will require a further look at the terminal area of the business;
- Need to consider how to **make best use of the Network Management Function** by better defining its role and contribution in the context of the scheme;
- **Importance of the human dimension** to ensure changes can be translated into safe day-to-day operations;
- Need to **focus on customer requirements**, including the strengthening of stakeholder consultation and engagement, with the consultation on investment and business planning becoming more prominent than it is today;
- Need to **improve the target setting mechanisms and performance planning processes** including a need to **better understand the interdependencies** between Key Performance Areas (KPAs).

The schemes are instrumental in a performance-driven approach to delivering air navigation services. There must be a **continued focus on safety**, as the most important element which cannot be traded off for other performance gains. The targeting of safety performance must not impact on Just Culture.

The Commission sees a continued important role of the independent advisory body in assisting the implementation of the scheme. The Performance Review Body and their Chairman, Peter Griffiths were thanked for their excellent work, with the Commission actively working to implement the new PRB as soon as possible.

The PRB chair highlighted the need to make progress considering the complexity of the system and assuring that the views of the different actors involved in the implementation of the performance scheme are taken into consideration.
C  Panel discussion one – Performance Policy

Each of the six panel members, representing a broad range of industry stakeholders, provided their thoughts on RP3 and how changes to the Performance and Charging Regulations could support further development towards performance-driven ATM.

C.1  Opening Statements

The airspace user perspective

Wolfgang Scheel – IATA – representing the airspace users

Airspace users presented several key points on the Performance and Charging Schemes to date and principles RP3 should follow:

- Whilst the original goals of the SES are as important as they were ten years ago, airspace users are dissatisfied with the results achieved to date and progress towards the SES is not sufficient.
- The current environment requires the regulatory regime to be overhauled, with commitment from Member States.
- A pre-requisite for moving forward is the appointment of an independent regulator, with PRB members selected on their expertise with sufficient support to undertake their role.
- The targets set in RP3 must be at a Union-wide level, at national level and also a local level for airports (for terminal air navigation services). They must be binding, but with an appeals process, and ensure an adequate contribution from all states.

The role of the Performance and Charging Schemes are to simulate market conditions in a monopoly environment. But the current regulation is considered cumbersome, complicated and resource intensive.

The proposal from the airspace users is to:

- Simplify the regulations by removing complicated aspects such as traffic risk sharing and inflation adjustments and moving towards a genuine price cap form of economic regulation. This may be supported by a reduction in the regulation period.
- Move towards multi-period targets to avoid regulatory ‘gaming’.
- Move towards a more gate-to-gate approach, facilitated by a change to the charging structure for terminal air navigation services, with terminal services opened, as far as possible, to competition for the market.

The air navigation service providers’ perspective

Alessandro Ghilari – CANSO – representing the air navigation service providers

On behalf of the air navigation service providers (ANSPs), CANSO presented their perspective. CANSO supported the positive comments of the Commission presented in Mr Hololei’s introduction, including the importance of local knowledge of NSAs, making best use of the Network Manager and engaging all stakeholders.
CANSO highlighted:

- The need to support the overall growth and competitiveness of the ANS sector with a need to recognise what has been achieved so far and how the regulations should evolve for RP3.
- The importance of the overall SES framework, including the Performance and Charging Schemes, and what has been achieved to date.
- The need to streamline the processes before and during reference periods to make them easier to operate, clearer, and focus on a limited set of KPAs and Key Performance Indicators (KPIs) relevant to the customers and under the full control of ANSPs. Focus should not be solely on costs.
- The importance of the local dimension. This would be appreciated by moving away from today’s top-down approach, strengthening the local dimension and processes to ensure that local targets better reflect the needs at a local level and the interdependencies observed.
- The need for a system that ensures responsiveness to unforeseen events. At the moment the system is too complex and slow.
- Their support for incentive mechanisms to achieve improved performance.
- The need to make the best use of the Network Manager.
- The need to ensure the engagement of all stakeholders.

The professional staff perspective

Tom Laursen – IFATCA – representing professional staff associations

The professional staff associations highlighted three main areas for discussion:

- The need to rebalance the goals of the SES. Staff associations consider the ATM system as a key part of the infrastructure of the aviation industry. Current targets focus too heavily on reducing costs.
- Collaboration is key to success. There is a need for a shared vision, but this is currently not the case. The views of staff associations must be considered to help ensure a healthy and functioning system. If this doesn’t change, there is likely to be further industrial action.
- A new approach could see longer reference periods and more flexibility, but this could also be cumbersome.

The staff associations suggested encompassing all actors within the Performance Scheme, with the behaviour or airlines and airports included. There should be a clear and feasible roadmap for change and this should be supported by a revised Charging Regulation.

In summary, the Performance and Charging Schemes need to create the right balance between cost and investment in staff and technology.

The Performance Review Body’s perspective

Professor Hans-Martin Niemeier – PRB – representing the PRB

The PRB reflected that both airlines and professional staff associations wanted strong but proportional regulation. The current shift away from the full cost recovery principle is a step in the right direction, with some incentives and some consideration of interdependencies. However, current regulation is too heavily cost based, too heavy handed, with strong opposition for incentives.
The next reference period should include a strong reduction of costs. This shouldn’t be a concern to controllers as cost reduction should come from improved systems, better performing management and synchronisation.

A simple price cap, also suggested earlier by airspace users, would be a good solution with regulation used to manage risks and allow flexibility and freedom for ANSPs to operate. Incentives in efficiency create more risks for ANSPs and airlines. Air traffic management should be depolitiscised to make it more of a business. Further, there is a need for an independent economic regulator, which should not be the European Commission.

**The market perspective**

*Wilhelm Wohlfahrt – ACR – representing the view of an ANSP operating in a competitive market*

A view of the opening of ANS markets was provided by ACR Sweden. The introduction of small organisations to provide ANS is effective at reducing the associated overheads. Competition is considered the most effective way to reduce costs. Airports, airlines and the consumer are supporting competition and there have been huge costs savings since the markets in Sweden and Norway were opened in 2010 and 2016 respectively.

Whilst en-route services are likely to continue to be controlled by the national ANSP, they could be opened to competition in the future.

The importance of ensuring regulation does not interfere with the competitive process was highlighted, whilst also ensuring the incumbent is not at a competitive advantage or able to cross subsidise services. It should also be considered how international competition can be encouraged in the market.

**The network management perspective**

*Joe Sultana – EUROCONTROL – representing the Network Manager*

RP3 will have a considerable impact on behaviours of all stakeholders. The reference period must be built on the right regulatory framework to have the means and abilities to achieve the targets.

The development of RP3 should set targets which incentivise and reward the implementation of changes for the benefit of the whole system. Local improvements must be compatible with regional and sub-regional with network solutions that benefit the most users taking precedence. Additionally, performance must not be restricted by national or FAB borders in RP3.

Secondly, the predictability of the system should be a high priority, facilitating improved airline performance and fewer interventions. Without this, the basic principles of SESAR will be undermined. Misused or unutilised capacity brings cost, with incentives based on the best use of available capacity.

The current, rigid, Performance Plans should be complemented by shorter-term seasonal plans which can address bottlenecks. Civil-military coordination has improved and there is now a more flexible and dynamic way of dealing with capacity. Civil-military cooperation should now look beyond national boundaries towards cross-border events.

**C.2 Panel debate – performance policy**

The panel debate followed the panellist statements and discussed a range of subjects relating to the Performance and Charging Schemes. The themes of these discussions are captured in the following sections.
**Objectives of air navigation services**

The key objective of air navigation services is to provide a safe, cost effective and high quality service to its customers in terms of ensuring there is sufficient capacity to meet traffic demand and that airspace users can fly as close to the optimal route as possible.

In general, there are currently no major issues with the quality of service. Capacity is widely sufficient to meet demand and flight efficiency has also shown good improvements over the course of the Performance Scheme to date. Naturally, therefore, the emphasis is currently put on cost efficiency. ATM costs are estimated to be between 4%-6% of an airline’s cost base. Whilst some stakeholders observed this is a relatively low percentage, airspace users noted it is the highest cost item after fuel, airport and ground handling fees for an airline and contributes directly to an airlines profitability.

It was, however, also made clear that costs should not be the sole focus and broader needs of users should be considered.

**Enablers for performance improvements**

The hearing investigated how the Performance and Charging Schemes could be developed to improve performance, particularly cost efficiency. It was widely agreed there is a need for some form of economic regulation but competition within ANS has a key role to play in reducing costs and improving cost efficiency. However, it was also noted that market forces are not feasible for all areas of ANS within the timeframe of RP3. Therefore, competition within the market or for the market should be introduced, where possible, supported by ‘light touch regulation’ to help mitigate potential risks. Strong regulation should be applied where monopolies remain.

More broadly, the complexity of the current Performance and Charging Schemes was also discussed. They are generally agreed to be too heavy handed and cost based. Moving towards market forces, as discussed above, would allow the regulation to have a lighter touch, where appropriate. Additionally, there was some support from the panel for removing complicated mechanisms such as traffic risk sharing and inflation to simplify the scheme. ANSPs raised concerns that such simplifications would result in ANSPs taking on these risks, many of which are out of their control. It was also noted by the panel that businesses must be willing to bear some ordinary market-related risks.

The optimal use of innovation and investment in technology as an enabler for improving quality of service and cost effectiveness was also discussed at length. However, there is also a cost associated with implementing new technologies both in terms of staffing resources and capital expenditure. Therefore, it was clear there needs to be a careful balance between cutting costs and investing in a more performance-driven future for ATM systems. Improving cost efficiency is not necessarily the same as cost reduction.

Industry collaboration was a further theme of discussion. FABs were conceived to improve ANS performance through regional collaboration. It is widely agreed FABs have not returned the benefits which were expected when they were introduced. There was a clear suggestion FABs should be reviewed for RP3, with perhaps the concept of FABs being opened up and extended to include more cross-border initiatives and industrial partnerships. It must also be noted that the timescales required may make it difficult to change FABs prior to the start of RP3. There was strong suggestion that the current link between FABs and Performance Plans is restricting performance gains, while creating excessive bureaucracy.
How can RP3 further support performance improvements?

A key question raised in the preparation for the hearing was whether the current form was the ‘right’ form of economic regulation. There is some support for moving towards a price cap, but also some concern. Whilst airspace users believe there is already sufficient flexibility for service provision to adapt to the operational environment and a price cap should not be necessary, in the current environment they support a price cap to add further downwards pressure on ANS costs. ANSPs voiced concerns that discussions on the price cap focus on cost reduction rather than the real needs of the system, whilst NSAs highlighted that it is currently difficult to cut costs during the technological transition to SESAR solutions, where investment in the future system is crucial.

The local dimension was also considered to be of great importance, both from a service provision and regulatory perspective. Not all aspects of ANS are within the control of the ANSP and this should be considered in RP3. Additionally, the role of the NSA, at local level, is important for understanding the local environment and ensuring effective oversight of ANSPs with different challenges in different areas of Europe. It is also clear NSAs do not necessarily have sufficient powers to enforce the provisions of the Performance and Charging Schemes and strengthening and empowering NSAs should be a strong consideration for RP3.

Whilst the NSAs play a crucial role at the local level, the hearing highlighted the need for a fully independent body for union-wide performance and economic regulation.

Commitment and collaboration were two of the key words used during the panel session. Panel members highlighted the need for Member State support and commitment to implementing the SES and emphasised the importance of adequate consultation and stakeholder engagement in the process of developing the foundations for RP3.

Concluding remarks by the moderator

The following conclusions were drawn at the end of the panel session:

- There is a need for an independent performance and economic regulator. Further discussion is required, though, on the relationship between a central regulator and the NSAs.
- There must be careful consideration of the local dimension.
- The Performance Scheme itself should be simplified, without compromising effectiveness.
- Cost efficiency is not the same as cost reduction and quality of service must also be considered.
- There is some support for a simple price cap, which needs to be discussed further based on other concerns raised by ANSPs.
- There has been some success with opening markets to competition, which should be extended where possible in RP3.
- There is a need to rethink incentives and how to reinforce behaviours which contribute to network performance.
- Success will come from collaboration, which must be further developed over the coming few years.
D  Panel discussion two – measuring performance

D.1  Opening statements

A further six panel members, also representing a broad range of industry stakeholders, provided their thoughts on how to measure performance in RP3 and how changes to the Performance and Charging Regulations could support this.

The Performance Review Body’s Perspective

Marc Baumgartner – PRB – Representing the PRB

The PRB Performance Scheme strategy identifies a step-by-step process to complete its implementation. It was stated, that currently we are still in the stage of restructuring and institutional change. There have been both promising results from RP1 and the start of RP2, yet several issues were also highlighted, notably:

- The main causes of capacity delays are found at a local level.
- The Charging Regulation is not conducive with environment and capacity targeting.
- Technology deployment is not following the pace required for the RP2 targets.
- There has been an increase in the fragmentation of service provision.
- There has developed an increasingly fragmented institutional environment.
- Issues have developed from traffic volatility.

Taking these into account and to help to address them, the PRB have identified four different options for regulatory change for RP3: an acceleration of the scheme (at a detriment of simplification), adjustment without disruption, a complete re-engineering, or a mix of the three. Through these options, the aim is to reach a ‘nirvana’ Performance Scheme where there is the optimal use of modern, standardised infrastructure in a non-discriminatory way at an appropriate cost. The PRB view of this finalised Performance Scheme includes:

- An EU-level look at the environment, particularly through route design and its use, enhanced integration of military and the monitoring of actual trajectory.
- Capacity will be focussed at the location of a constraint.
- EU infrastructure funds directed to novel developments over legacy systems.
- Standardised infrastructure including a transition plan of the SDM and NM.
- Safety as the framework, or ‘entry ticket’ for the Performance Scheme.

The airspace user’s perspective

Guy Battistella – IACA – representing airspace users

One of the original essential goals of the Performance and Charging Scheme was to significantly decrease cost and therefore airspace charges. Yet, six years later this is still not measured, and there is a significantly higher total charge. There must be measurement of the true cost opposed to nominal cost. The airspace users agree a full price cap mechanism is desired; however it should be noted that within the current framework there are already the appropriate tools for a strong economic regulation of monopoly service providers.
Cost and traffic risk sharing mechanisms supply considerable financial protection to the ANSP, yet there is still a high charge to airspace users. This is an imbalanced and un-symmetrical system considering the risks taken on by the airspace users. With greater risk removed from an ANSP business model, the more ambitious the targets should be. Out of this large cost, it should especially be noted that much is from a prohibitive cost of capital. Data shows a difference of €340 million for cost of capital between current user cost and what should be available to member states in 2017. This is the time where there should be infrastructure investment to promote economic growth.

The EASA perspective

Jose Luis Garcia-Chico – EASA

From the EASA perspective it is important to highlight three main points:

1. The safety area must be preserved and included within the Performance Scheme albeit simplified. This is to be achieved by the alignment of safety in RP3 with other regulatory mechanisms, such as oversight. This can be achieved by the possible inclusion of indicators that are defined outside of the PS (in the SRM) and importantly a definitive alignment with EPAS.
2. The safety performance indicators should address interdependencies with other KPAs and target setting must be limited to leading (process-based) indicators. EASA will also be entitled to define the acceptable level of safety performance at EU level as part of the updated Basic Regulation.
3. Finally, a KPI on vertical flight efficiency should be brought into the environmental KPA.

The EUROCONTROL perspective

Xavier Fron - EUROCONTROL

The SES already shows significant achievement considering the size of the task; however, it is excessively complicated and tools in the SES toolbox (Performance, Charging, NM, Deployment, etc) are insufficiently aligned. Therefore, the first recommendation is to align all tools within the SES toolbox towards performance through changes in relevant Implementing Regulations. Here are some topics to be matched:

- The disjointed approach to capacity and costs with targets at FAB and Charging zone levels respectively, further complicated by an unclear level to apply the relevant incentives.
- The current high pressure on reducing costs from the cost-risk sharing mechanism, while the capacity incentive is comparatively small (max 1%), which is imbalanced.
- The capacity KPA only addresses the small amount of time where excess demand creates delays. However, there is considerable unused capacity that can be better utilised. There is room for improvement in both the cost-efficiency and capacity KPAs through better matching of offer and demand of capacity.

The second recommendation is related to the insufficiently aligned approach to investment funding through user charges (CAPEX) and CEF. As already noted, there is a high pressure on costs and a high level of CAPEX underspend is reported by the PRB (around €1 billion over 2012-15). At the same time, EU funds are awarded in a way which is decoupled from Performance Plans. These two elements should be better aligned.

Thirdly, there is unwanted detrimental interference between the Charging Scheme and the environment, as well as with user and ATC operations. Unexpected route distortions are caused by
different unit rates. These interdependencies could be designed out through regulation, for example through route-independent charging.

Finally, EUROCONTROL believes the debate on KPIs should be secondary to higher level debate on the performance framework. It should be noted that 2017 is the last window of opportunity to amend the SES Performance Scheme until 2022.

The ANSP perspective
Peter Simonsson – CANSO – representing the air navigation service providers

The ANSP perspective, provided by CANSO, focussed on a few key points:

- Target setting must take into account local factors which drive performance, through the experience of the NSAs, and taking account of interdependencies. Therefore, provisions must be strengthened for the NSAs to produce Performance Plans that adequately address the local situation.
- The definition and approach to the KPIs is a secondary discussion to the development of the framework (for example target setting as described above).
- Further focussing of the scope. CANSO judge that there already is a gate-to-gate approach, and do not recommend the development or addition of further KPIs and KPAs. Therefore, if any KPIs are to be added, considerable care must be taken.
- The KPIs should be focussed on what can be controlled by the ANSP and not add complexity, although evidently some level of complexity must be included to drive performance improvements. The intention is to have a more collaborative approach to new KPIs through mainly building on current indicators.

The opinions on KPAs are presented throughout the debate.

The NSA perspective
Anthony Eiffe – IAA – representing the NSAs

The opening statement presented here is, as much as possible, representative of an NCP view.

There are already several positive elements to the Performance Scheme to date, and it is vital to lock in and consolidate the current gains, RP3 should not put these under threat. Importantly, the NCP is one of these gains as it has provided excellent peer-to-peer sharing opportunities.

Looking ahead to RP3, there are numerous key points that need to be made from an NSA perspective:

- The KPA interdependencies must be addressed, the first step of which being an independent study through the presentation and gathering of relevant information and data.
- Safety must be included within the Performance Scheme (lagging indicators cannot be used).
- A one-size-fits-all, top-down approach is not appropriate for European ANS due to the lack of flexibility necessary to address local issues. Careful targeting on a local basis identifies the areas where gains are still available.
- It is not recommended to add new areas to the Performance Scheme, for example a target on noise, unless there is a valid justifiable reason and there is a clear understanding of its interdependencies.
• A greater transparency is needed, partly via agreed guidance and nominal values used to aid comparisons.

• Greater scope is required for NSAs to make interventions during a reference period and simpler local level revising of Performance Plans at an NSA level would be an improvement for these situations.

• More time is required for the preparation of a Performance Plan, as well as appropriate guidance and more stable, simpler templates. We would hope for the preparation time to be a year, with all other actors respecting their deadlines.

• A study into incentive schemes should be developed in parallel with an interdependency study. It should be noted that incentives are useful tools to refine behaviour however should also be defined locally.

• There must be consideration for the unintended consequences of the Performance Scheme, and this should be a focus when looking forward. This can be achieved through sensible ex post analysis of each reference period.

• A more rigid mechanism for appeals, also at a local level.

• If a state, can demonstrate a more mature and flexible ANSP, airline, NSA engagement on CAPEX on a continuum basis, then there is an opportunity to break the link between CAPEX and OPEX. This will require full transparency; however, they are sufficiently different to be split.

• Even before RP3 starts, there are many areas which can be improved, starting with the stakeholder consultation mechanisms.

D.2 Panel debate – measuring performance

The panel debate followed the panellist statements and discussed a range of subjects relating to the Performance and Charging Schemes. The themes of these discussions are captured in the following sections.

Technology Governance

Since the NSA and member state have the responsibility to ensure implementation, a comment from the floor highlighted that they require the knowledge, data and know how to understand how implementation projects are progressing.

The comment requested a mechanism be put in place to ensure information about SESAR infrastructure and investment projects is received by each Member State and their NSA. This can be delivered through the SDM or otherwise, but must cover both CEF funded and non-CEF funded projects throughout the implementation process.

This was seconded by airspace users who are of the view that everything in the Performance Plan should be the responsibility of the NSA and this includes CAPEX and CEF funds, around which there is currently an issue.

Gate-to-gate

The view from the airspace users was that a gate-to-gate Performance Scheme is essential since it is one of the overarching SES requirements. In terms of the difficulty, it is viewed to be simple. Many ANSPs cover both en-route and TANS provision, and therefore have similar accounting mechanisms.
This was however queried, first whether a gate-to-gate scheme is achievable as there must be a consistent and transparent allocation of costs for each provision, and secondly since there is a considerable difference between the operation of TANS and en-route. Therefore, they are not so easily merged (or mandated under an EU-wide target). It was also noted that TANS cost efficiency has already shown positive improvements without an EU-wide target. Additionally, there was an ANSP agreement in the gate-to-gate concept, however with the opinion that all stakeholders would need to be included in the Performance Scheme if this was the case.

From an organisational perspective, it was observed that the analysis of Performance Plans for some 220 airports would considerably increase the assessment and monitoring workload for all parties involved. This would be an issue of proportionality.

**Incentive/penalties**

The view from airspace users was; there are too few penalties within the Performance Scheme compared to incentives. The NSA representative believed there is an important role for the incentive scheme to play in the future of the Performance Scheme, however they cannot stand alone and will need to be evolved and developed. An area in which immediate improvement could be made would be in the development of guidelines for their application, monitoring and compliance criteria.

**Competition**

The theme of competition was discussed as a direct follow on from gate-to-gate provision through the further opening of TANS to market forces. It was acknowledged by the airspace users that competition is the best method for a cost-efficient service (with the necessary capacity also being addressed), however the current lack of providers would create an imperfect oligopoly. Therefore, there would need to be careful management of how competition would be achieved. This was generally agreed with. However, there was disagreement to what level competition was appropriate in the Performance Scheme (CANSO view competition encouragement as a state issue). If this was a carried forward there would need to be a rigorous study into the effect on all airports, especially those that are smaller and less financially viable from traffic alone. This would, therefore, also become a state issue.

**Target Setting**

Across the panel, there was general agreement the targets ought to be set at a consistent level, with many viewing the charging zones (defined by States) as the most appropriate level. Not only is this for simplification but also to help identify and address interdependency issues. The inclusion of FAB targets was notably viewed to overcomplicate the scheme; however, it was observed by the PRB that there is a trade-off towards further fragmentation.

In terms of a top-down or bottom up approach to target setting, there was considerable disagreement. CANSO noted that the varying local circumstances, such as between large and small ANSPs, need to be considered. If this occurs, robust Performance Plans can be developed that are achievable. From an NSA perspective, recognising local views will enable the Performance Scheme to be more targeted, achievable and (potentially) ambitious. A possible process suggested by CANSO was to have an iterative approach, with appropriate local consultation, where a range of EU-wide targets is developed within which the ANSPs plans must fall. Furthermore, the consistency criteria need to be redefined, the NSA planning (and consultation) processes should be enhanced, and the transparency of Performance Plan evidence strengthened.
From the airspace user opinion, a top-down approach is required to consider the whole network, and this must be centrally managed with a transparent set of responsibilities. This requires considerable information exchange but is necessary to achieve this network view of performance.

**Safety KPA**

The safety KPA was initially discussed from a broader perspective through exploring the PRB view that safety should be the framework (or entry ticket) for an ideal Performance Scheme. The PRB and EASA then elaborated that for RP3, safety must be included in the Performance Scheme, however other tools (such as EPAS) outside of the Scheme are also very important, and can be used to measure its progress. A comment from the floor noted it is important to remember the safety KPA was added to the framework regulation to measure the impact (to some extent) of the other KPAs on safety and not to measure it, however since then, the European Safety framework has been extended (eg EASA remit extended in 2009). Therefore, safety should remain in the scheme, and simply continue to show the impact from other KPAs, while the actual focus on improving safety (such as reducing runway incursions) should be left out of the scheme to be dealt with in a more holistic fashion.

The KPIs were briefly discussed, with some agreement that leading indicators are the most appropriate within the KPA.

**Capacity KPA**

The role of the Network Manager in the capacity KPA was debated, with the PRB and airspace users agreeing that it should be given further power and responsibility. The PRB noted that the NM could become a ‘capacity broker’, with additional collaboration and predictability also being important. Further agreement between the two panel members was reached on how charging on the actual route flown would help to remove some capacity issues generated by the Charging Scheme. The airspace users however, noted this should only be discussed once the targets have been set in way that relates to the top-down 0.5 minutes of delay per flight. CANSO’s view is that the NM should not become a regulatory body and should not fulfil any regulatory functions.

The discussion moved towards whether the current KPI metric was appropriate, with many parties agreeing there are issues with the current metric. CANSO view that, since ATFM delays is well understood, it should remain similar, but could be adapted to take account of further complexity in the system. Comments from the floor listed several local issues within ATFM delay metric, thus agreeing that a flexible and focussed approach should be developed. A further question debated whether ATFM was the correct place to look for capacity improvements, considering the PIs of ASMA and taxi-out time show a far greater time contribution.

**Environment KPA**

The environment KPA was stated to be an area where there would be considerable benefit from a study into interdependencies. An example was presented from the audience where the inclusion of noise, as well as TANS within the Performance Scheme, would require ANSPs not to be penalised for diverting routes to avoid communities. Regarding the inclusion of noise, further discussion noted that it is a local issue, and therefore should be dealt with on the local level.

1 FR – Noting that in Western France, despite an increase in capacity provision, due to the shift in traffic, the capacity target was not achieved and therefore a penalty was given.

2 IT – Firstly, that the charging zone which the incentive applies to is a different area to that defined for the capacity target. Secondly, that targets and capacity provision need to take into account serious seasonal fluctuation.
From the perspective of the NSA representative, the KPIs should stay the same, and additionally a focus should be placed on further building collaborative endeavours such as free route airspace. In terms of using the last filed flight plan, this could be evolved but would first need information into the relationship between the planned and actual activity. It was noted from the floor that NM requests further predictability, however this is currently difficult unless flight plans are adhered to.

EUROCONTROL suggested to have a carbon efficiency performance indicator as proposed by ICAO, but no target until it is mature.

Cost efficiency

The cost-efficiency discussion initially focussed on a suggestion from Hungary. This stated that, since air navigation service provision is an infrastructure-led business which has direct implications towards the economic growth of the EU, and traffic risk is out of the control of the ANSP, the traffic risk should be placed on the EU as they are best placed to manage it. This implies the traffic risk sharing mechanism is removed from stakeholders and instead placed on the EU who can then re-distribute funds accordingly. The NSA representative noted this was a good socio-economic suggestion however there are advances outside of regulation, such as the developments of COOPANS, which can also drive efficiencies. Additionally, the issue of interdependencies must also be addressed. It was also stated that the ANSPs should be able to handle the risk, as long as sharing mechanisms are in place, and therefore centralisation may not be required.

Both EUROCONTROL and the airspace users noted that capacity and cost-effectiveness are very closely linked. The former observed that the marginal cost of extra capacity is around the level of additional revenue allowed by traffic risk sharing (0.3% more cost and revenue for 1% more traffic), which follows the ICAO principle of cost-relatedness. The airspace users noted; whilst capacity and cost efficiency are linked, there should not be both the cost and traffic risk sharing. If this must be the case, targets must be accordingly more ambitious. This would be a cost-efficient and balanced system. Once this has been achieved, then the specifics of metrics can be discussed.

There was additionally a brief mention that the large amount of unspent CAPEX investment was indicative of the current inefficiencies within the system.

Concluding remarks by the moderator

The following conclusions were drawn at the end of the panel session by the moderator. It should be noted that a brief and shortened summary was provided due to the time limitations:

- Risks born by ANSPs and users formed a considerable part of the debate, and is a crucial element to the proposed changes for RP3.
- There was also considerable discussion on the gate-to-gate concept and its importance. This partly focussed on the relationship that gate-to-gate has with competition in TANS.
- There was broad agreement the same level (eg Charging Zones) should be used for target setting all KPAs.
- Safety is a control mechanism within the Performance Scheme, and must be treated differently to the other KPAs. General agreement is that it should be included in the Performance Scheme, at least to some extent, despite this.
- The capacity KPA could be being treated in a more co-ordinated way through the NM.

Conclusions from the PRB Chairman

A lesson learnt so far within the Performance Scheme is that traffic has not grown and it has, therefore, been a considerable achievement to reduce costs in such an operational environment.
It is crucial the PRB has a good understanding of safety performance. The PRB doesn’t need to manage safety or set targets on it but needs to know the status of safety performance to inform decision making.

Collaboration is the key delivering RP3 and it needs to happen between all actors from the European Commission all the way through the industry.

The capacity KPA shows some signs of degradation in the last couple of years. There is a need to understand how to reduce the impact of staffing issues on the capacity KPI and work with staff to engender the change management that needs to occur for the success of RP3.

Cost efficiency is another critical area to address, but it needs to be done in a holistic manner with some rebalancing to ensure that changes are successful.

There should be continued cooperation with the military and welcomed EDAs contribution to the work of the PRB on its white paper. Metrics may need to be revised to better measure militaries’ contribution to performance.

The PRB Chairman then briefly highlighted points of the discussions in both panel sessions of particular importance.

From panel session one – on performance policy- these points were:

- Collaboration is key.
- Recognise the key roles of the NSAs.
- Dynamic unbundling performance periods from planning.
- Opening the markets to help achieve cost reductions.
- Target cost efficiency to match market measures noting that one size doesn’t necessarily fit all.
- Ensure the principles of better regulation are followed.

From panel session two – on measuring performance – these points were:

- Simplification where possible, particularly with data management and provision.
- Similarly, to panel one, a one size fits all approach isn’t appropriate.
- Review the idea of introducing a greater gate-to-gate focus, whilst ensuring that we do not disturb the good work that has already been done.
- Performance targets focus should be on what can be delivered and what is in the control of ANSPs.
- An impact study should be undertaken to assess the interdependencies between KPAs and KPIs.

The Commission thanked all participants and is looking forward to further discussions of some of the specific schemes to translate them into concrete legislative proposals in 2017.
## Acronym List

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<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ACR</td>
<td>Aviation Capacity Resources AB</td>
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<tr>
<td>ANS</td>
<td>Air Navigation Services</td>
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<tr>
<td>ANSP</td>
<td>Air Navigation Service Provider</td>
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<tr>
<td>ASMA</td>
<td>Arrival Sequencing and Metering Area</td>
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<td>ATM</td>
<td>Air Traffic Management</td>
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<td>AU</td>
<td>Airspace User</td>
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<td>CANSO</td>
<td>Civil Air Navigation Services Organisation</td>
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<td>CAPEX</td>
<td>Capital Expenditure</td>
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<td>CEF</td>
<td>Connecting Europe Facility</td>
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<td>CS</td>
<td>Charging Scheme</td>
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<td>EASA</td>
<td>European Aviation Safety Agency</td>
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<td>EDA</td>
<td>European Defence Agency</td>
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<td>EPAS</td>
<td>European Plan for Aviation Safety</td>
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<td>FAB</td>
<td>Functional Airspace Block</td>
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<td>IACA</td>
<td>International Air Carrier Association</td>
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<td>IATA</td>
<td>International Air Transport Association</td>
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<td>IR</td>
<td>Implementing Regulation</td>
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<td>KPA</td>
<td>Key Performance Area</td>
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<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>NCP</td>
<td>NSA Co-ordination Platform</td>
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<td>NM</td>
<td>Network Manager</td>
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<td>NSA</td>
<td>National Supervisory Authority</td>
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<td>OPEX</td>
<td>Operational Expenditure</td>
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<tr>
<td>PI</td>
<td>Performance Indicator</td>
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<td>PP</td>
<td>Performance Plan</td>
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<td>Performance Review Body</td>
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<td>PS</td>
<td>Performance Scheme</td>
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<td>RP</td>
<td>Reference Period</td>
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<td>SDM</td>
<td>SESAR Deployment Manager</td>
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<td>SES</td>
<td>Single European Sky</td>
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<td>SESAR</td>
<td>Single European Sky ATM Research</td>
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<tr>
<td>SRM</td>
<td>Safety Risk Management</td>
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<tr>
<td>TANS</td>
<td>Terminal Air Navigation Services</td>
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