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## **ETF POSITION PAPER REFERENCE PERIOD (RP3)**

### **1. Executive Summary**

The Single European Sky (SES) Performance Scheme regulates European Union member states and their Air Navigation Service Providers (ANSPs). The scheme sets targets and monitoring indicators in 4 Key Performance Areas (KPAs), Safety, Environment, Capacity and Cost Efficiency. The scheme has had some success up to date in providing improvement for the EU ATM system, although there is a disproportionate focus on cost efficiency, at the detriment to the other KPAs. Originally the performance scheme was envisaged as a tool to aid progress towards the SES High Level goals<sup>1</sup>, however as these haven't been re baselined it is now difficult to gauge what the performance scheme is now in service of, other than general improvement, which in reality translates to 'just be cheaper'. Before the commencement of RP3, a true consultation and agreed direction for the aims of the scheme should be developed and one in which *all* stakeholders can consent to.

### **2. The Performance Scheme needs a more balanced approach among the 4 KPAs**

The Cost Efficiency KPA has a disproportioned amount of attention, and policy makers should be wary of strong lobbying by Airspace users in this area at the expense of other KPAs that could actually provide greater benefit in the longer term.

During RP1 and RP2 significant progress has been made in this area and it is important that this is recognised. The impacts of this however as described elsewhere in this paper are being felt in the other KPAs.

To ETF, once again, the European Commission continues to ignore the negative social consequences that have been reported by trade unions in

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1 The SES High Level goals are by 2020 (compared to the 2006 baseline):  
Triple airspace capacity, improve safety by a factor of 10, reduce environmental impact by a factor of 10, reduce cost by 50%.



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many Member States, and that are jeopardising the number and the quality of ATM jobs in Europe.

It is important that ANSP uncontrolled costs – some of which are linked to legacy terms and conditions of staff, agreed well before the incorporation of the performance scheme – are allowed for as in previous reference periods. Some of these costs cannot be adequately absorbed directly by ANSPs unless some form of other allowance is made for their recovery, and it would be unrealistic to suddenly force an ANSP to bear these in the form of a simple price cap.

ETF is completely against the concept of a simple price cap, as this would have the effect of significantly increasing the financial risk to ANSPs which would result in a significant degradation of service. Capital expenditure (CAPEX) does need to be examined, and whether or not it forms part of the performance scheme itself, transparent and accurate analysis of investments should be completed. However, it is not appropriate for Airspace Users to have control or ‘final sign off’ of investment plans. ANSPs must be in control of their own investment decisions.

ETF is cautiously in favour of the deployment of technological developments provided that they are properly funded, well thought through, part of an adequate change management process and appropriate and comprehensive social dialogue has taken place. These technologies should be able to demonstrate real benefit with the supporting case of a mature cost benefit analysis completed to demonstrate their real value.

The charging mechanism does not lend itself particularly well in the supporting of the Environment and Capacity KPAs. Due to the nature of the charging process, cheaper routes are often flown by users which are not the most environmental, or cause the funnelling of traffic thus increasing the pressure on capacity unnecessarily.

Terminal air Navigation Services (TANS) are a relatively small part of the overall charging mechanism, and hugely complicated to regulate, particularly where there are multiple airports in a relatively small area. Whilst it may be appropriate to have some sort of indicator for monitoring, given that most stakeholders have expressed a desire to simplify the scheme, it would seem inappropriate to have binding EU wide targets for TANS at this stage. Evidence to date has also demonstrated that without the need for EU wide targets cost of TANS provision have reduced.

As said before, the continued bias and sustained focus on cost efficiency has had a detrimental effect on staff within ATM. This will make engagement in the transition to new methods of working as we move forward through SES extremely difficult. An unwarranted attack has been performed by some member states and ANSPs on their staff as a consequence of cost savings required by the performance scheme, with unilateral changes – which in turn have resulted in industrial action. A more socially cohesive method is required that engages properly with staff, the actual individuals who deliver the day to day service, to ensure the success of EU ATM moving forward.



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Lessons from RP1 and RP2 need to be learned if any further success is to be realised.

### **3. The Performance Scheme needs to be more adaptable**

ETF is of the view that the scheme is too top down in its application and that given the diverse nature of ANSPs within the EU member states more local discretion and flexibility should be allowed. This should be tailored to ensure that specific national circumstances can be factored in, be it investment needed for equipment, or staff for complex airspace.

The structure of the scheme in its 4 KPAs is broadly supported, provided that true work is undertaken to ensure the relationship between the KPAs is fully understood, and that the indicators and targets that sit within the KPAs are simplified and remain small in number.

The complexity of the scheme in itself is an issue for member states and ANSPs in so much that significant effort and resource is required to comply with it, further increasing the cost base, which then needs to be made up from elsewhere. This inevitably impacts the operational environment. A vicious circle is then entered with more pressure put on ANSPs to save even more. There is considerable administrative burden in the operation of scheme at NSA and EU levels.

The performance scheme is incredibly cumbersome for ANSPs and they are not able to react in a dynamic way to outside influences which place ANSPs in a different situation to that envisaged when the particular FAB or State performance plan was approved. Examples include political influences (i.e. Ukraine) or unexpected variances in the STATFOR forecasting.

Consequently, the scheme needs to be more flexible. It is incredibly difficult for ANSPs to react to sudden changes. The length of the reference periods and business planning cycles of ANSPs do not lend themselves to be compatible with those of the airspace users who are invariably much more dynamic. This then creates a false impression that ANSPs are slow to react and are financing either staffing levels or technologies that users might not view as appropriate. In particular, where traffic increases are above those that are predicted, significant capacity issues can arise which can take several years to rectify.

### **4. The Performance Scheme needs to be stronger integrated**

Given the length of the reference periods external influences which can incur costs for ANSPs seem somewhat uncoordinated. The performance scheme operates in the wider context of the ATM master plan and SES so should be an enabler to achieve these, not simply an airspace user cost reduction tool. Examples include regulations and initiatives from EASA which have compliance costs or technological solutions from SESAR and the Deployment Manager, as well as other external SES related contributors. ANSPs have to absorb these costs that are not incorporated in the performance plans and there needs to be a stronger integrated approach allowing the performance scheme requirements and these other impacts to be more compatible.



Interdependencies are still a considerable issue. With a disproportioned focus still being placed on cost, due to relentless lobbying by airspace user associations, a distortion on the true 'performance' of the total system is inevitable. The interdependencies between the 4 KPAs requires proper and thorough study, together with considerable rebuff and education of the airspace users that cost can be a very misleading indicator in terms of the total performance of the system. The concept of a Total Economic Value metric or measure is one that should be developed to look at the system as a whole, and can demonstrate the total value of the system, with all of the KPAs taken in to account. This could then be used as a better planning and assessment tool, to give an accurate picture of the performance of the ATM system.

## **5. The Performance Scheme needs a cooperative approach**

Interestingly there are commercially driven solutions outside of the FAB framework which tend to suggest FABs are not a driver in improvement. These sorts of initiatives should be encouraged and multi-cross ANSP alliances could be used to examine more of this type of improvement work.

Competition in ATM is not the only approach that should be considered, and has its disadvantages. In the UK, where Terminal Air Navigation Services (TANS) competition has been formally declared, fragmentation has led to a slowing in improvements in route redesign and environmental benefits as airport operating companies seek to protect their own business and have no incentive to improve the system as a whole. It is highly likely this would be replicated throughout Europe with an increase in competition. Apart from some cost savings at local airport level, (with no guarantee these are passed on to passengers) the system as a whole tends to suffer as competition of course increases fragmentation. The question of reconciling increased competition and reduced fragmentation is one yet to be answered in any satisfactory way. ETF is of the view that a cooperative approach is needed to find appropriate solutions that are not damaging the whole system.

## **6. The Performance Scheme needs a more efficient methodology, including a Change Management Indicator**

During the target setting process the methodology needs to be streamlined with tighter timescales. The ongoing experience of RP2 has created much uncertainty with some performance plans agreed long after the commencement of the reference period.

In addition, ETF advocates the introduction of a change management indicator in order to track and monitor the change process through RP3. Significant sums of money are being invested in European ATM, particularly through the SESAR program and in order to realise the full benefit of the outcome of any technology introduction or social changes, a fit for purpose and well managed process will be required. In order to give visibility to this an indicator should be used to demonstrate that change is being managed in an appropriate way. Using existing methodology, similar to that used in the effectiveness of safety management, change management could be equally well measured. The benefits of a well-run change management system



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(much like a good safety system) are all too invisible, but when done poorly, significant affects area always noticeable. We believe it would be in all stakeholders interests to include this indicator in the performance scheme for RP3. Further detail is contained in Appendix B.

Finally, it is also important that a review system is in place to be able to revise plans in the event of unforeseen circumstances in a timely manner. This should complement an effective appeal mechanism. Although this is provided for in the existing regulation enforcement and guidance would be welcome to enable stakeholders and states to deal with an appeal in a common and effective manner.

## **7. The Performance Scheme needs a strong social dialogue and the 'Fifth Pillar'**

Consultation mechanisms and opportunities are still not robust enough both at FAB and member state level, with stakeholders including trade unions all too often being ignored. Where consultation does exist, staff associations are often excluded or paid lip service to. This has to stop. The more progressive states understand the value of listening to their workers and the contribution to a better solution that can be achieved with their input. Where limited consultation and poor social dialogue takes place (often in states with an immature outlook on social dialogue) tensions arise which can be barrier to improvement. To aid in improving consultation and social dialogue across EU member states ETF proposes a target and/or indicator on consultation and change management, to include all stakeholders.

The system of utilising FABs as an administrative construct for the performance scheme is outdated and should be revised as recognised by the PRB. Many member states have vastly different pressures and to formulate a FAB wide plan does not necessarily make sense. Indeed, FABs are generally structured around geographical convenience or for political and historical reasons, which bear little resemblance to modern day traffic patterns and airspace use. Plans should be looked at in terms of actual traffic patterns and flows, bottle necks and areas of high density. Using industrial partnerships these could then be tackled to seek improvement without the formalised straight jacket of having to operate within a FAB, instead of spending more money to find a possible solution to the FABs.

On this subject, progress has been slow, apart from spending money creating administrative constructs, such as FAB boards, FAB study groups, etc. Despite existing regulations, adequate and meaningful involvement of staff representatives has been absent in many places. The latest study conducted by the PRB shows that social dialogue within the FAB's is non-existent in most cases.

The SES 'fifth pillar' has been completely forgotten or relegated to the lowest priority within the Single European Sky, and in our opinion this should be the first priority. To achieve success within FABs and the wider SES, social dialogue and work on human factors should be greatly improved.

## **8. Safety**



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ETF welcomes the approach taken with the safety KPA particularly with the industry lead approach to determining the safety indicators using experts and EASA. Safety must be strengthened and not subservient to cost efficiency with safety initiatives properly costed and incorporated into state performance plans. Any risk based approach methodology must be fully understood and appropriate resource put in place both within ANSPs but crucially in competent authorities as well.

Cyber security, particularly in relation to SESAR technologies such as remote towers must be addressed to ensure these new initiatives are free from outside interference.

## **9. Environment**

Reduction of CO2 emissions through efficient routing is one area of the performance scheme which is indeed a force for good in EU ATM. A consultation or work stream should be implemented requiring joint ownership of this KPA with airspace users to ensure they are contributing as well. User choice over flight planning and other operational factors that are outside of an ANSPs control distort the ability of an ANSP to comply with targets in this area. A mechanism of joint ownership should be devised. The other strong influencing factors are capacity and cost efficiency as users may not utilise the most environmentally friendly route if it is commercially unattractive. This must be taken in to account during the target setting process.

The white paper suggestions around noise and route design are not appropriate for the performance scheme in its current structure. ANSPs cannot be held solely accountable for noise, this is often an extremely sensitive and political issue at local level, and ANSPs are often simply constrained in their actions because of this.

Vertical Flight Efficiency (VFE), whilst important and an element of the environment that should be considered is incredible difficult to measure and target in practice. Firstly, an accepted definition and scope is required in order that the topic is talked about consistently. VFE could be considered in two separate parts, unrestricted climb and descents, and optimum cruise levels. An agreed measuring tool would need to be developed and provided to ANSPs in order to detect and measure unrestricted climb and descent profiles, and a tool to compare optimum v actual cruise level. In our view the topic is not yet mature enough to commence EU wide monitoring or the introduction of targets.

## **10. Capacity**

ETF recognises the improvements made in the area of capacity, especially around the issues of special use airspace, and this has helped greatly in providing improvement in this KPA. We also agree that further work on a more dynamic and flexible approach could be taken to use this airspace in even greater ways.



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A mechanism or indicator should be created that allows for a comparison for the route with the least delay and that which takes advantage of the available capacity, to compare with the actual route flown to highlight areas where airspace user behaviour is actually generating capacity bottlenecks where other capacity would be available. ANSPs should then not be penalised for capacity constraints where this indicator highlights artificial constraints which need not exist. This indicator would then be useful for balancing out capacity throughout the network. This could also be linked to the environment KPA by applying a similar logic to a route flown v most environmentally beneficial route.

That said the available capacity is now starting to be constrained as a result of significant cost cutting, resulting in a lack of staff (both experienced and new trainees) to continue this trend. There are already examples that in the first 2 years of RP2, delay in some ANSPs has increased considerably. This is largely due to a lack of investment because the mantra for a cheaper service has come first. This is all very well providing the airspace user community understand that the service will not be as comprehensive. We all want to fly in Emirates first class for the price of a low-cost carrier ticket – it's simply unrealistic to expect this and the analogy is a useful one for ATM.

## **11. Conclusion**

The performance scheme needs to clearly articulate its long-term aim, and it must be coordinated with the ATM master plan and the wider SES program. The scheme must also result in a socially acceptable environment for staff.

- ETF comprehensively rejects the notion of a simple or total price cap.
- Allow more flexibility at local level to take in to account specific local issues, and build performance plans 'bottom up'.
- Incorporate a Total Economic Value methodology to demonstrate scheme wide value rather than just cost.
- Develop a cooperative approach
- Establish a change management indicator
- Set up a proper social dialogue at all levels and in good time



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## 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 '5<sup>th</sup> 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



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