

PRB consultation meeting on revision of targets for RP3

Virtual meeting

Webex virtual meeting platform
04 February 2021

Welcome to the PRB consultation meeting on revision of targets for RP3

- Your microphone is automatically muted. Please turn off your cameras as well! Speakers are invited to turn their cameras on while they are presenting
- This meeting will be recorded for the internal purposes
- Please submit your question in Slido under the event code #PRBconsultation
- The Q&A will be moderated to concentrate on common issues
- Please submit your question indicating organisation, name and surname (best to edit these in your Slido profile). Anonymous questions will be filtered out
- Please make use of the voting function for questions! Questions with the most votes will be answered first

Introduction

Agenda item 1

Introduction

Legal basis for revision of targets and monitoring the impact of COVID-19 on the SES

Monitoring results

- Safety
- Environmental performance
- Capacity
- Cost-Efficiency

Conclusions

Performance Review Body

								
Regula Dettling-Ott Chair of the PRB	Ulrich Schulte-Strathaus Moderator / Speaker	Magdalena Jaworska Speaker	Daniel Weder Speaker	Estelle Malavolti	Ben Van Houtte	Andrew Knill	Rosa-Maria Arnaldo-Valdes	Hans Ollongren

Basis for monitoring the impact of COVID-19

Exceptional measures Regulation (2020/1627) adopted on 4th November 2020, including:

- Revision targets for RP3
- Revision of performance plans RP3, to be submitted by 1st October 2021
- Combining years 2020/2021 for determined unit cost
- Suspending incentive scheme for 2020 and 2021
- Retroactive adjustment of unit rate over 5 to 7 years, starting the first year following the adoption of revised performance plans
- Implementing additional monitoring for 2020 – ANSPs submitting data on measures taken to address financial and operational impact of pandemic

PRB monitoring report to be published February 2021

Update from the PRB on additional monitoring activities for 2020

Agenda item 2

Safety

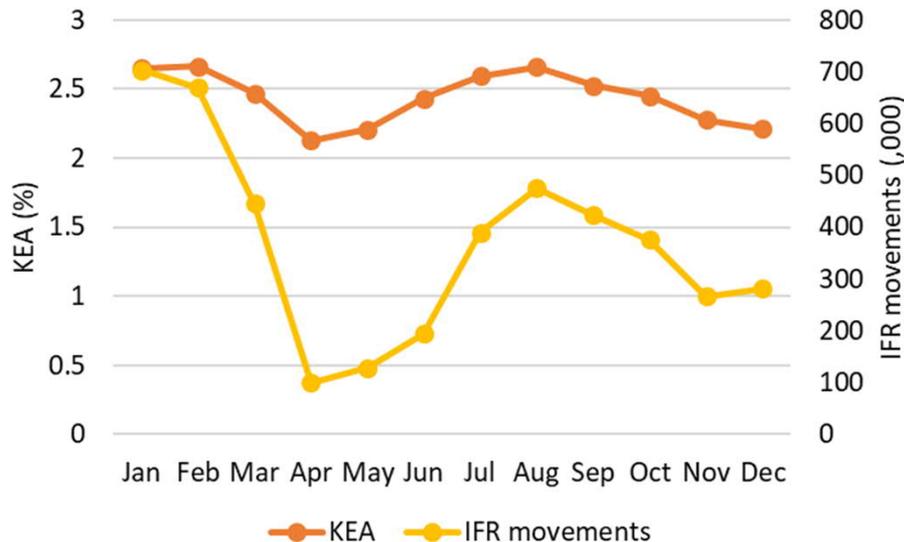
Safety remains the highest priority

- No additional monitoring data – additional report does not include safety
- Preliminary data shows, that
 - Safety performance (accidents and incidents) remains as before COVID-19
 - ANSPs managed to limit the impact of COVID-19 on safety issues
 - New types of safety issues have been observed (e.g. single person operation)

Environment

Environmental performance depends on available capacity

- Horizontal flight efficiency (KEA) and performance in terminal area improved in 2020

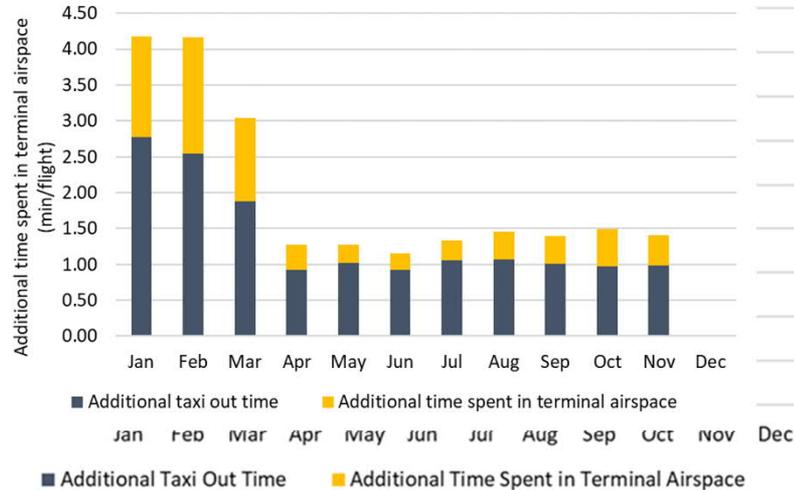


- KEA target for 2020 = 2.53%
- Actual 2020 performance = 2.51%

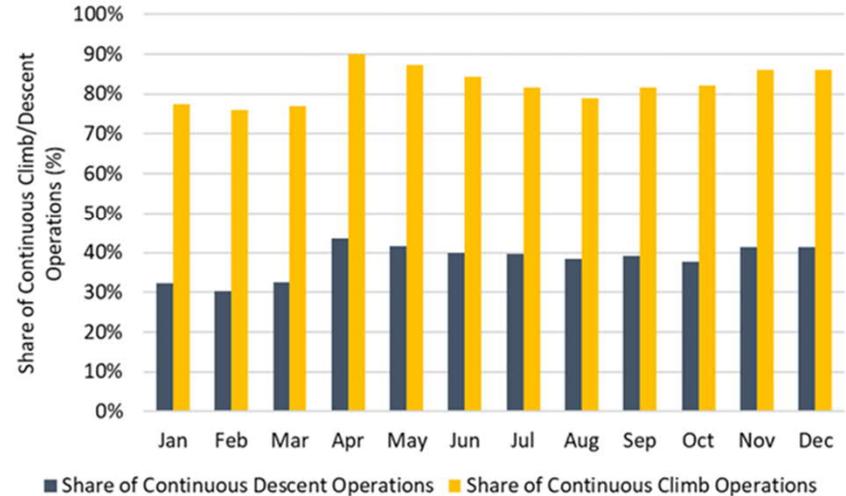
Environment – terminal area

Environmental performance depends on available capacity

Additional taxi out and time spent in terminal area



Continuous Descent Operation (CDO) and Continuous Climb Operations (CCO)



- Less holding of aircraft on the ground and in the air
- More aircraft operating with continuous climb and continuous descent

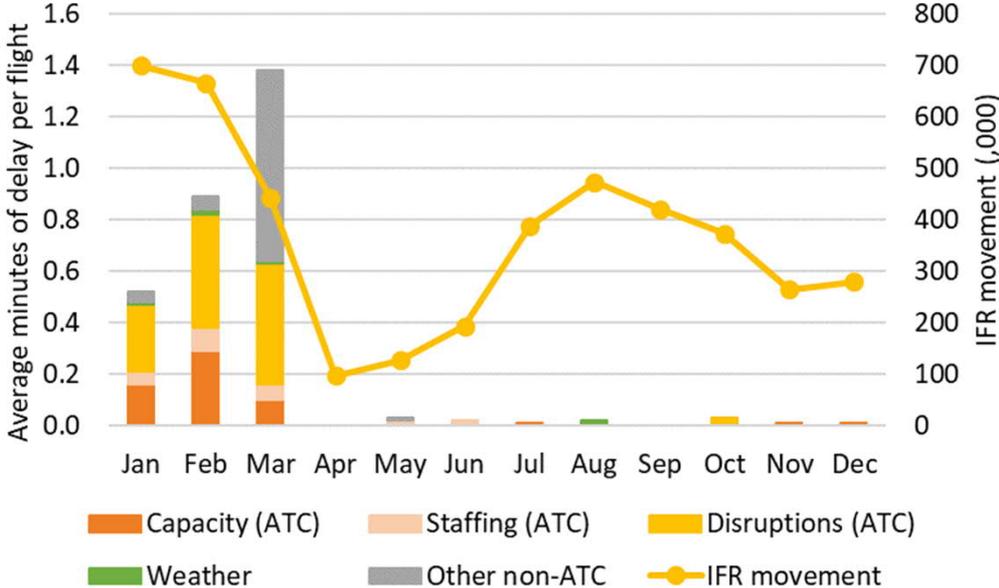
Capacity

Lower traffic led to drastically reduced delays

- January to mid-March 2020
 - High delays due to lack of capacity (continuation of RP2)
- As of April 2020
 - Lower traffic and minimal delay
 - Negligible weather-related delays
- Member States/ANSPs reached annual en route delay targets
 - Only two ANSPs failed to achieve their reference values
- Limited delays at airports

Capacity – en route in 2020

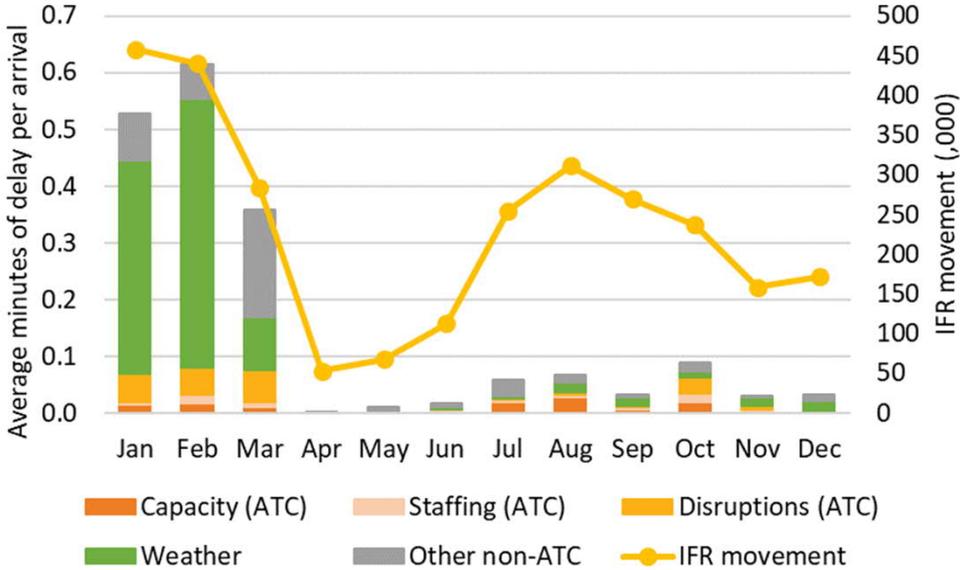
En route targets achieved because of lower demand



- En route ATFM delay per flight target for 2020 = 0.9 mins/flight
- Actual delay 2020 = 0.36 mins/flight

Capacity – terminal in 2020

Terminal (aerodrome AD) delays reduced because of lower traffic



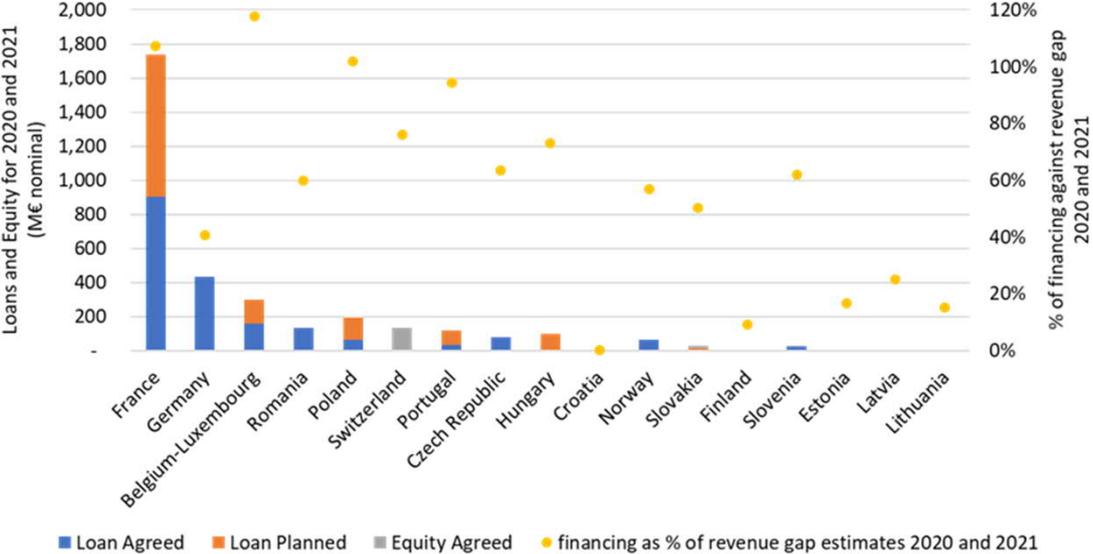
- Most delays were generated in Jan-March
- Delays began to increase in July
- Appears to be less excess airport capacity than excess en route capacity

Cost-efficiency

- In 2020, ANSPs reduced their costs by 1% compared to 2019 (with 50% less traffic)
 - Five ANSPs increased costs compared to 2019 (by more than 5%)
 - Four ANSPs reduced costs (by more than -5%)
 - The rest did not vary significantly (within +/- 5%)
- ANSPs plan to increase their costs from 2021 above 2019 levels
 - Traffic is not expected to return to 2019 levels until RP4
 - Traffic in 2024 is expected to be around 8% lower than 2019
- In addition to yearly costs, airspace users will have to cover revenue gap ANSPs incurred in 2020 and 2021 through adjustment mechanism, starting in 2023

Cost-efficiency

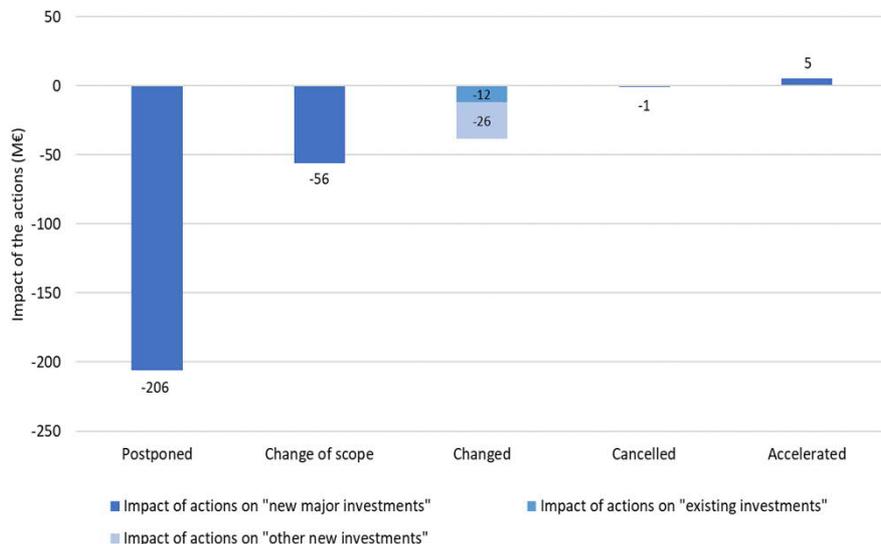
Reported finance arrangements account for less than 50% of the revenue gap



- Revenue gap = 7.3B€
- Financing = 3.4B€
- Uncovered = 3.9B€ (53%)

Cost-efficiency

New investments are impacted more than ongoing projects



- New investments
 - 80% of ANSPs report changes to their plans
 - 20% of ANSPs report no planned changes
- Existing investments (those underway)
 - 33% of ANSPs report changes to their plans
 - 67% of ANSPs report no planned changes

Conclusions

- Safety: No additional data, but remains top priority
- Environment: Improved performance
 - Lower traffic contributed towards achievement of the 2020 target
- Capacity:
 - Lower traffic/congestion enabled targets to be achieved
- Cost efficiency:
 - Limited change in costs in 2020
 - Increases planned for 2021 onwards

Stakeholder presentations

Agenda item 3

Airspace users

Rory Sergison - IATA





Airspace User Associations Meeting with
PRB
on Revised RP3 Targets Proposal

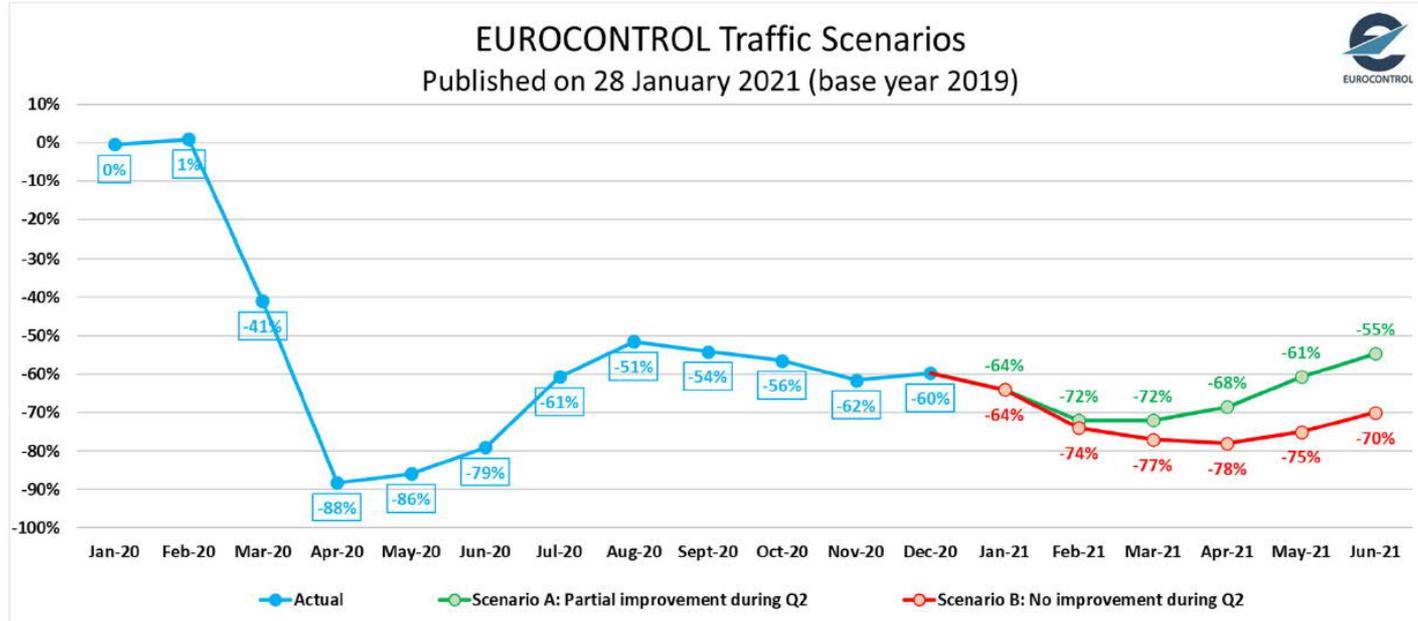
Brussels, 04th Feb 2021

Impact of Global Pandemic on Airspace users

- Travel restrictions put in place European wide and globally have caused air traffic in Europe to plunge by 90%.
- Today many states are not encouraging any cross border travel and in fact have advised against it
- Resulting in a dramatic decline of revenues and leaving airspace users fighting for survival.
- Urgent action is encouraged from the EC, member states and their ANSPs to respond as efficiently as possible to changing market circumstances.
- Otherwise, a fast recovery and the future sustainability of air travel is threatened.



Eurocontrol Updated Traffic Scenario 28 Jan 21



Questions for Discussion?

Safety

- The current safety targets are ambitious and the approach to safety needs to remain the top priority for service provision
 - Are there any reasons why safety targets should change?

Environment

- Lower traffic has led to performance targets being achieved in 2020 (2.51% compared to a target of 2.53% for KEA)
 - Do you believe targets should be more ambitious than those currently defined?

Capacity

- Targets for 2020 were achieved, with the lowest ever value for en route ATFM delay per flight (0.36 minutes/flight compared to a target of 0.9 minutes/flight)
- Traffic is forecasted to return to 2019 values only during RP4
 - Should targets be more ambitious than 0.5 minutes/flight? For example 0.3 or 0.4 minutes/flight.

Cost-efficiency

- Traffic forecasted to return to 2019 values only during RP4
 - What are your expectations for total costs during RP3 compared to 2019 actuals?
 - What are the barriers to total costs being below 2019 values throughout RP3 and which lower level is possible to achieve?

- Why has PRB not shared the full analysis with airspace users? As the financiers of the system, we require transparency on the evolution of total costs?
- Questions appear Naïve and closed; especially on cost
- How can we say that Targets have been achieved when traffic - 55/60% below?
- Figures on cost are very troubling when compared to 2019 (Record year) HOW??
- 2021+ 190M -67MSU
- 2022 +431m -38M SU
- 2023 +574m -23M SU
- NO TNC References included??

Total indicated increase
1.2billion

Justification?????

Airline Positions

- The published findings (Mar 2020) by the Performance Review Body (PRB) on initial state /FAB Performance Plans (Nov 2019) are too valuable to be discounted and should form the basis of future discussions.
- We highlight that the circumstances are continually changing, and the basis for the emergency regulations must be adjusted to reflect this new reality. We ask that the PRB pay particular attention and develop a new assessment on the actuals and forecasted cost containment for 2020/2021 as we believe there should be considerably more savings available.
- Member States and their ANSPs` must adapt their costs and practices to match the new reality. Based on a new traffic forecast ANSPs` must demonstrate that they have developed strategies and new employment models to cater for a proportionate reduction in staff costs, which account for an average 65% (enroute) of the cost base
- New and improved KPI`s must be developed at Union and National levels. With the exception of Safety, we propose that new targets should be developed for Cost Efficiency, Capacity and Environment that reflect the latest developments. There are opportunities to provide more meaningful and ambitious contributions from ANSPs` , especially due to the large reduction in current and expected traffic levels.
- Airlines have not made commercial decisions to decrease traffic, it has been imposed on them by the pandemic circumstances and related states' decisions and as such, the states should support ANSPs` in a way that they take over all losses from operations incurred as a result of COVID 19



Basic requirements

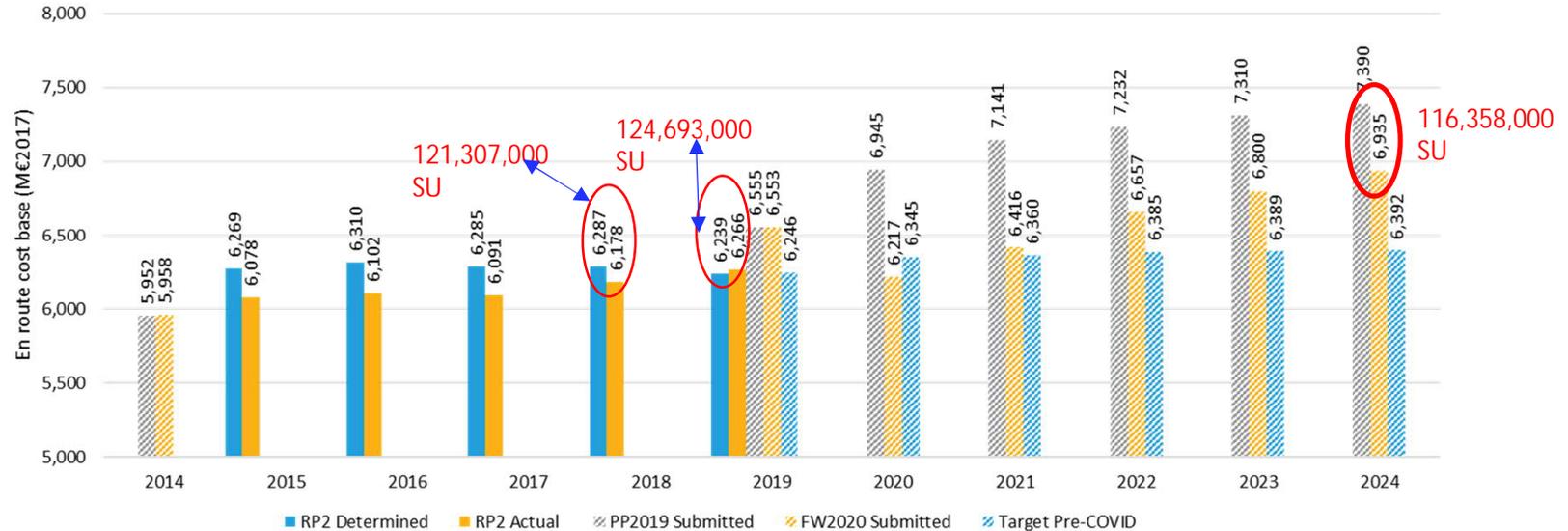
- Targets must address the new reality
 - Currently no traffic Recovery to 2019 levels until at least 2024(maybe later)
 - Performance must improve, given lower traffic a better performance is expected
 - To say that Capacity and Env Targets were met in 2020 is not realistic(traffic down -60%)
- Identify solutions to
 - Finance ongoing provisions of air traffic services as traffic recovers
 - Ensure sustainable cost environment for airspace users – supporting EU economic recovery
 - Ensure under recoveries are handled in a fair and equitable manner
- All funding sources, need to be investigated.
- Airlines cannot sustain unjustified ANSP Cost through higher Charges



What Cost Efficiency??

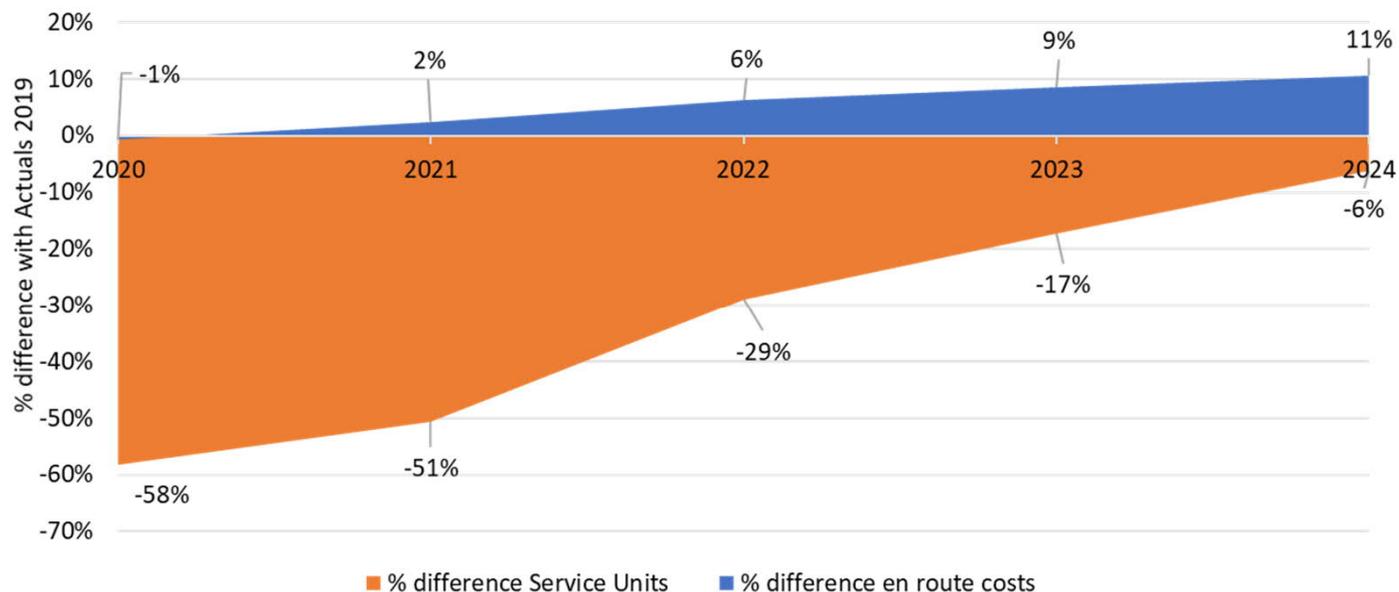
No correlation between Traffic and Cost

Comparing 2019-2024 - How can states justify a +710mil difference with -8MSU??



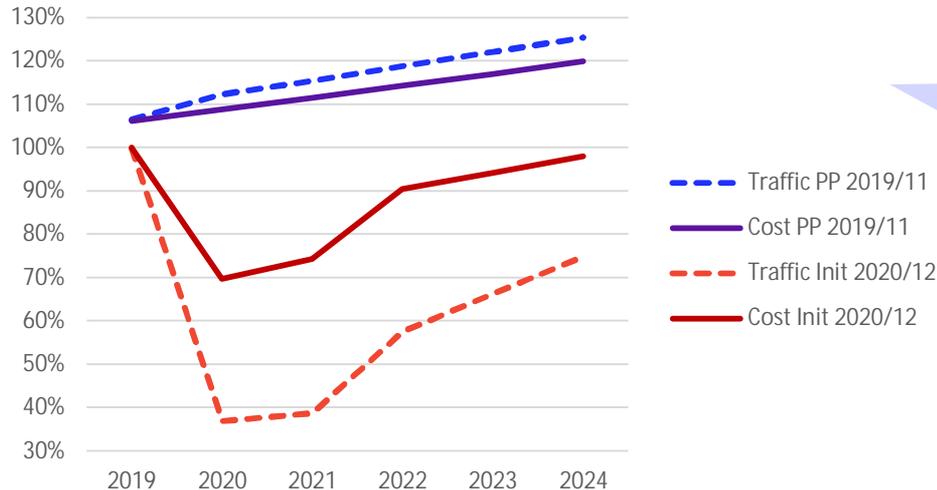
Demonstrates- Business As Usual for ANSP`s

% difference between actuals 2019 and FW2020 Submitted



Cost management is possible!

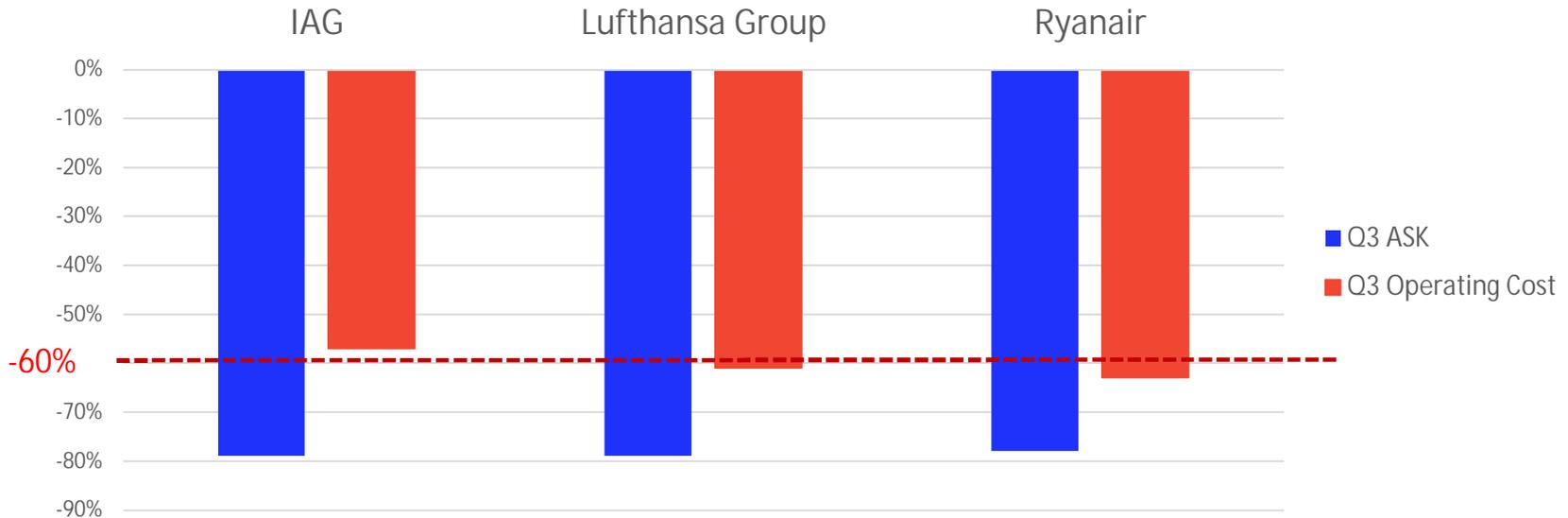
Slovakia appears to be the **only country** out of 27 which is able to **adapt** at least **partly** its cost structure to traffic development (2019 act = 100%)



This is our minimum expectation on cost management we want to see from every single country / ANSP!

What airspace users did:

Strict cost management in place to reduce losses as much as possible:



Sources- Public Available Airline data- Annual Reports, Investor relation reports, websites



Cost Efficiency- Regulatory Requirements

Recital 9 of (EU) 2020/1627-

– It is expected that the revised determined costs for the combined calendar years 2020 and 2021 reflect the additional uncertainty and take due account of the lower traffic volumes entailed by the circumstances of the COVID-19 pandemic.

- This has clearly not been demonstrated by ANSP`s, as analysis of initial cost data reveals

Article 6 Additional reporting and monitoring- Not Granular Enough

- *1. In addition to the obligations set out in Articles 4 and 36 of Implementing Regulation (EU) 2019/317, air navigation service providers shall submit, by 15 December 2020, a report to the national supervisory authority detailing the measures put in place in order to address the financial and operational impact of the COVID-19 pandemic on their activities. The report shall be transmitted to the Commission by the national supervisory authority upon its receipt.*
- *2. The national supervisory authorities and the Commission may use the information included in the report referred to in paragraph 1 for the purpose of the monitoring tasks specified in Article 37 of Implementing Regulation (EU) 2019/317*



Cost Efficiency- KPI

- Cost projections are disappointing and unviable
- Actual cost must be commensurate with the level of service required
- No consultation with AU`s on redevelopment of CAPEX plans- no transparency
- No Correlation between cost development and traffic
- Unit Rate Stability must be guaranteed throughout RP3
- EC/PRB must develop additional ambitious KPI`s on Total Cost at European and National Levels



Environment KPI

- Excess capacity should make most efficient flight paths possible
- To address environment, not only focusing on shortest route but on most efficient flight path
- GCD must be reconsidered – Vertical Flight Efficiency must also be developed
- Wind / weather, military exercise areas, etc. must be regarded
- CAPEX to deliver efficiency needs to be prioritized



Capacity KPI

- It has been clearly demonstrated that no correlation between cost and traffic
- Excess capacity is currently available in the system.
- At forecasted traffic levels the Capacity Target should be as close to ZERO as possible for the entire period.
- Adjustments could be made on a sliding scale up to 0.05 in the next years, dependent on any recovery



Conclusions

- The EC /PRB must be very ambitious in the target setting exercise
- Structural changes must be considered as this is not business as usual
- Meaningful improvements can and must be delivered in all KPA`s and ANSP`s must be held accountable for delivery
- Cost control must be managed centrally- PRB should be empowered to set appropriate targets and NSA must deliver (fast forward SES II ++ principles)



Thank you



Air navigation service providers

Johnny Pring - CANSO



CANSO

Presentation for stakeholder consultation meeting on RP3 revised targets

4 February 2021



General Remarks

- Traffic situation remains unstable and highly unpredictable
 - Extreme volatility and uncertainty remain the backdrop for current planning activities
 - There is also uncertainty regarding distribution of traffic (daily traffic distribution, routes chosen, fleet used), traffic mix (short haul, long haul, overflights) and passenger demand
 - Latest ECTL Comprehensive Assessment (28 January) gives two more pessimistic scenarios: -55% or -70% in June 2021 compared to June 2019
 - This is compared with a range for 2021 of -27% to -50% in the previous STATFOR forecast (November 2020) – how reliable are these scenarios now?
 - Council press release 27 Jan: it is not possible to predict when depressed demand will end



General Remarks

- Hence, ALL forecasting is based on substantially more uncertainties than past RPs
- As last year was exceptional, actual 2020 data for should not be the baseline for targets
- There is a huge variety in how ANSPs are addressing the pandemic crisis, reflecting different local situations – these will need to be adequately considered in target-setting



General Remarks

CANSO proposes:

1. To proceed with EU-wide targets as best possible
2. NSAs + ANSPs to work nationally understand the specific constraints, consequences and best approach – NSAs to work closely with PRB
3. NSAs to set appropriate national targets and develop the revised plans
4. EC / PRB to use the flexibility provisions in Implementing Regulation 2019/317 to approve plans – accepting that the exceptional circumstances remain even beyond the end of 2022



Cost efficiency

What are your expectations for total costs during RP3 compared to 2019 actuals?

What are the barriers to total costs being below 2019 values throughout RP3 and which lower level is possible to achieve?

Year-on-year change of EU-wide DUC for en-route ANS	2018	2019	2020	2021	2022	2023	2024
Target – %	- 3.3%	- 3.3%	- 1.9%	- 1.9%	- 1.9%	- 1.9%	- 1.9%
Actual performance	- 4.1%	- 1.7%					



Cost efficiency

Basis for revision, EC Implementing Regulation 2020/1627

Recital 11 :

'In setting those revised cost-efficiency targets at Union-wide and local level, due account should be taken of the actual costs incurred by air navigation service providers and Member States.'



Cost efficiency

- ANSPs performed well in reducing costs during RP2:
 - AUC decreased by -13% from €52.87 to €44.61
- ANSPs have made / are making huge efforts to address pandemic crisis in 2020/2021
- 2022-2024 targets should take into account that implemented cost saving / refinancing measures in 2020-2021 are to a large extent of temporary nature
- It is misleading to compare ANSP cost reductions vs Airspace User cost reductions – ANSPs have the obligation to continue service provision and to keep critical infrastructure in operation with 24/7 service levels



Cost efficiency

The PRB presentation makes some inappropriate comparisons on cost efficiency in some areas

PRB slide 11 – Cost efficiency - % difference between actuals 2019 and FW2020 Submitted

The comparison is misleading regarding cost reduction:

- PRB compares actuals 2019 and FW2020 Submitted – cost reduction of 1%
- But what ANSPs planned for 2020 is in the Performance Plans submitted in 2019 – this is the baseline against which cost reductions should be judged.
- Using this calculation, ANSPs achieved a 10.5% cost reduction in 2020



Cost efficiency

PRB slide 13 – Cost efficiency - Percentage of actions reported for major investment planning

- The information in the slide is somewhat incomplete as it does not show % savings compared with the total investments originally in RP3 Performance Plans.
- E.g. DFS: investments savings in 2020 compared to the originally planned total investments in RP3 = 13.1%; compared to the major investments = 8.9%



Cost efficiency

PRB slide 14 – Cost efficiency - Additional financing reported vs estimated revenue gap

- Financing a company is a complex issue, especially in a crisis – the applied solutions vary greatly between ANSPs
- The analysis appears to ignore cash flows – a major consideration in this crisis
- Certain costs do not affect an ANSP's cash position e.g. depreciation, building up pensions provisions, other accruals, bad debt reserves
- A revenue gap was already in the plans for 2020 and 2021 for many ANSPs, due to their obligation to settle over-recoveries from 2018 / 2019
- Reductions in CAPEX spend (not part of the Determined Cost base) have been another response to the pandemic as a way to close the revenue gap
- Should additional crisis-related costs (e.g. new levy) after submission of PPs be cost exempt?



Cost efficiency

Further observations

- It is difficult to determine a realistic level of DUCs for the coming four years as this requires a realistic forecast
- All forecasts say traffic will eventually recover – but pace and level are uncertain
- ANSPs must be ready 2-3 years ahead to invest in capacity
- Therefore there is a real risk of cutting too much and then not being able to deploy investments needed for future
- Situations vary significantly between ANSPs, so local conditions must be taken into account properly to come to a meaningful target
- Despite cost-cutting, ANSPs have to ensure financial stability to enable continued access to debt market until revenues improve again



Cost efficiency

What are the barriers to total costs being below 2019 values throughout RP3 and which lower level is possible to achieve?

- Capacity provision:
 - When traffic recovers, capacity is needed
 - Training capacities have to be rebuilt which does not come overnight
 - The coming retirement wave will affect reaching capacity targets
- Investments:
 - ANSPs are in a transition – projects have to finish to build up the new digital/virtualized technical infrastructure and dismantle the legacy systems



Cost efficiency

Too ambitious DUC targets would undermine ANSPs' ability to invest for the recovery – potentially jeopardising reaching future capacity targets



Capacity

Should targets be more ambitious than 0.5 minutes/flight? For example 0.3 or 0.4 minutes/flight.

En route ATFM delay per flight	2018	2019	2020	2021	2022	2023	2024
Target – minutes	0.5 minutes	0.5 minutes	0.9 minutes	0.9 minutes	0.7 minutes	0.5 minutes	0.5 minutes
– actual performance	1.83 Minutes	1.66 Minutes	0.36 minutes				



Capacity

- It is said that ANSPs should use the low traffic to innovate and develop, including solving capacity issues from 2018/19
- However:
 - pressures from excessive cost reductions and tighter capacity targets will disrupt this
 - training new ATCOs partly is interrupted in entities with staff shortage in 2018/2019 due to traffic being too low or lockdown requirements to close training centres
 - ATCO resources for OPS might be limited in the later years of RP3 due to additional training requirements / suspended training during low traffic levels

CANSO therefore supports consideration of a target closer to RP2 for all years of RP3 – but this would have to be reviewed if traffic rebounded significantly



Do you believe targets should be more ambitious than those currently defined?

	2019	2020	2021	2022	2023	2024
KEA – target	2.60%	2.53%	2.47%	2.40%	2.40%	2.40%
KEA – actual performance	2.95%	2.51%				

- 2.51% represents a significant reduction from 2.95% in 2019 – assisted by significantly reduced traffic volumes allowing for RAD relaxation
- This demonstrates how challenging the RP3 targets were – 2020 target would have been unachievable in 'normal' traffic situation
- Exceeding HFE of around 97.5% might be possible at local level, but not at EU level
- Certain factors are beyond ANSP control – to be taken into account in review of KPI
- Huge variety in performance between ANSPs demonstrates their different local situations

CANSO does not support more ambitious KEA targets

- We expect / hope that traffic will have risen significantly above the 2020 level by end of RP3
- Against an achieved target in 2020 with an extension of 2.51% of the actual trajectory vs the great circle distance, 2.40% by 2024 still represents an ambitious target
- Achieving ENV targets requires cooperation / efforts of both ANSPs + AUs



Safety

Are there any reasons why safety targets should change?

Safety management must remain at high level, independent of traffic development

CANSO supports maintaining the current targets



Next steps

- Will there be another stakeholder consultation on the proposed EU-wide targets?
- Will EU-wide targets include breakdown values?



Annex – Overview of CANSO member cost savings and additional financing

4 February 2021





Additional financing

	Austro Control	DSNA	LVNL	ENAV	NATS	ROMATSA
What were the main sources?	Government loans	Agence France Trésor	National treasury current account credit facilities with the government	Bank debt	Primarily bank facilities but we also drew on the loan that Eurocontrol secured from commercial banks.	80% State guaranteed non-revolving loan facility (issued by a Commercial Bank),
How much additional financing was secured?	2020: €30M 2021: €30M	2020: loan to compensate 100% of the revenue gap = €900M 2021: loan to compensate 100% of the revenue gap, based on Scenario 2 of STATFOR forecast = €800M	€165M	H2 2020: further bank loans were drawn for approximately €220 million, with total gross debt at the end of 2020 exceeding €500 million. In FY 2021, it is reasonable to expect the need to resort to further debt to manage operating cash flows.	c. €440m (£395m) of existing bank facilities (loans) c. €420m (£380m) of new bank facilities (loans) secured Aug 2020, expiring July 2022 c. €114m (£101m) from the bank facilities (loan) sourced by ECTL Further refinancing this year, amount undisclosed	466,000,000 lei - approx. €96M
Other info	In the submission of the initial data for RP3 in 12.2020 additional financing needs were omitted, because no additional costs for the users arise.	repayment term is 10 years	The Ministry of Transport guarantees. At this moment the variable daily interest rate is 0%.	ENAV's debt capacity cannot disregard compliance with current financial covenants - parameters are multiples of company profitability. Reduction in profit margins consequently affects ENAV's capacity to incur further debt.		



Cost savings – LPS (Slovakia) staff costs

	2020 measures taken	2020 Cost reduction (initial data vs. draft PP)	2021 Cost reduction (initial data vs. draft PP)
Staff costs	<ul style="list-style-type: none">• non-payment of salary items beyond the statutory obligation (bonuses, rewards etc.)• furloughed staff at 60% of basic salary• scaled-down employment plan (frozen planned recruitment, rationalization of organizational structure)• frozen basic salaries tariffs• reduction of training & education costs and of social fund contributions• use of state kurzarbeit scheme (state subsidy for the most impacted industry sectors to retain employment)	-36,9%	-32,8%



Cost savings – Slovenia staff costs

	2020 measures taken	2020 Cost reduction (initial data vs. draft PP)
Staff costs	<ul style="list-style-type: none">• Reduction of salaries between April and December 2020 by 15% and for the period from January to June 2021 by 10%.• Non payment of “business performance” salary in 2020 and 2021 due to reduced traffic and income.• Delayed employments of ATCOs and early retirement scheme for employees fulfilling retirement conditions (4 employees in 2020 additional 6 planned in 2021).• The temporary cessation of the payment of premiums for voluntary collective supplementary pension insurance for the benefit of the Employee for the period from 1 June 2020 to 31 December 2021.• Work from home where work process allows (especially for administrative/non-licenced staff) for additional cost saving as well as one of the preventive measures taken in order to reduce the risk of infection.• temporarily lay off statutory personnel (from 2-4 days per month per employee).	-17%



Cost savings – IAA

1.1 - Staff costs					
#	Aim/objective of the action	Description of the action taken/planned. For example change in working hours, State measures.* Quantified where appropriate	Total impact of action (in nominal Euro currency)	Annual impact of action (in nominal Euro currency). Cost reductions should be entered as a negative value	
				2020	2021
1	Reduce staff costs	Reduction of working week	-1,559,000	-1,559,000	0
2	Reduce staff costs	Reduced pay	-5,255,500	0	-5,255,500
3	Reduce staff costs	Government subsidy	-2,781,000	-1,881,500	-899,500
4	Deferred staff costs	Moratorium on recruitment	-5,871,000	-2,428,500	-3,442,500
5	Reduce staff costs	Pay freeze	-4,954,000	-1,615,600	-3,338,400
6	Reduce staff costs	Reduced variable pay	-4,428,500	-2,281,500	-2,147,000
7	Reduce staff costs	Early retirements	-408,000		-408,000
Impact of action taken (in euro currency)			-25,257,000	-9,766,100	-15,490,900

Total impact across categories		-43,097,000	-22,618,600	-20,478,400
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Staff costs
Other operating costs
Depreciation
Cost of capital)

Compared to PPs:

-19%

-16%



Cost savings – ANS Czech Republic staff costs

Description of the action taken/planned. For example change in working hours, State measures.* Quantified where appropriate	Annual impact of action			
	2020 – CZK	2020 – EUR	2021 – CZK	2021 – EUR
Monthly performance remuneration	-102.457.000		-125.181.000	
Annual variable pay	-86.095.000		-80.025.000	
Annual remuneration	0		-50.187.000	
High traffic remuneration	-44.760.000		-52.537.000	
Employer's contribution to supplementary pension savings	-48.780.000		-56.392.000	
Reduction of basic salary	-113.260.000		-336.796.000	
FTE reduction	-41.184.000		-148.781.000	
Others	-110.781.000		-99.015.000	
	-547.317.000	-21,135,000	-948.914.000	-36,642,000

Professional staff associations

Paul Neering - LOEU IFATCA



PRB Stakeholder Consultation

Are there any reasons why safety targets should change?

- Safety is paramount and should not be jeopardised by interdependencies with other KPAs
 - Safety metrics should be carefully monitored during the recovery phase.
 - If Safety is made negotiable, what is the purpose of Air Traffic Management?

EU 2017/373 under **ATS.OR.210 Safety criteria** (ii) any permanent reduction in safety has other beneficial consequences

PRB Stakeholder Consultation

Capacity

- Capacity should not be a problem for the rest of RP3, unless ANSPs repeat (or are forced to repeat) mistakes from past crises, i.e. shrink human and financial resources
- Performance objectives should serve the critical ATM infrastructure
- Measuring Capacity (and Efficiency) in delays has proven to be useless, only good for PR

PRB Stakeholder Consultation

Environment

- In 2020, due to exceptional circumstances, nearly every aircraft flew the most direct way possible leading to 2.51% for KEA. Targets for KEA should ensure that ATM stays as close as possible to this limit during the recovery phase. Though still these data are flawed.
- The Charging Scheme caused airspace users to take longer routes. Review of the Scheme should tackle the interdependencies with Environment and the Green Deal.

PRB Stakeholder Consultation

Cost efficiency

- The target the EC cares about is Cost Cutting regardless, whether it is efficient or not. The title Cost Efficiency is wrongly used. Unfortunately, the EC shows limited receiver capacity.
- Lessons should be learned from previous reference periods; focus should not be on short term cost reduction but on how to properly finance the critical infrastructure that ATM is.

PRB Stakeholder Consultation

some crucial questions

- ✈ How did the Performance Scheme work in the COVID-19 crisis?
- ✈ Why trying to stick to the reference period logic when traffic forecasts are hugely varying every month?
- ✈ How does the PRB expect the Performance Scheme to work in a future crisis?
- ✈ Where did competition bring any benefit at operational level in ATM?
- ✈ Where is resilience captured in the EC/PRB proposals?
- ✈ How does the PRB tackle the aspect of ATM being a critical infrastructure (human and machine)?
- ✈ Before the return of traffic to pre-COVID-19 levels the Charging Regime needs to be replaced by a system that matches reality. How?

Break

See you in 30 minutes!

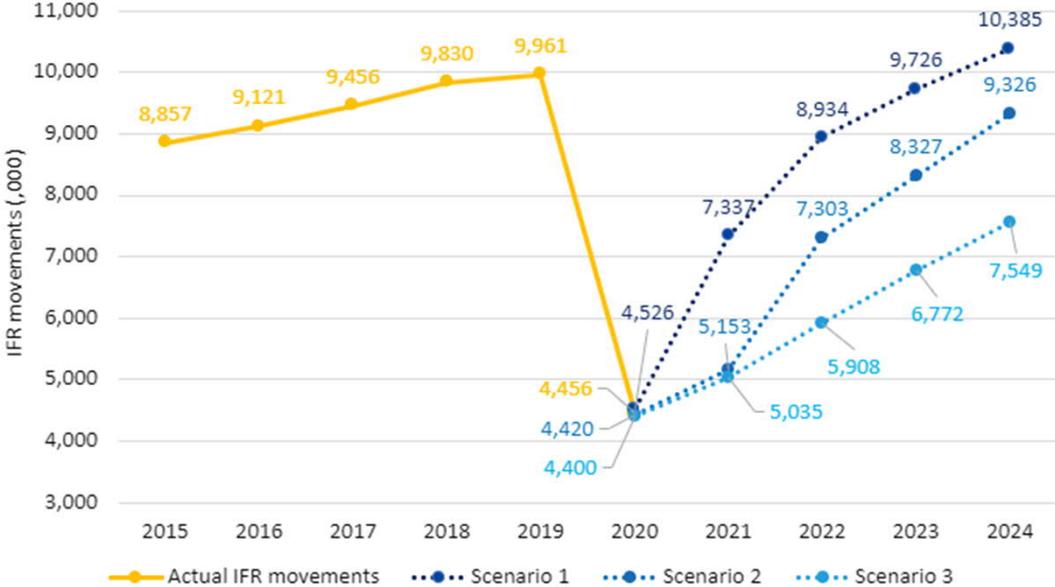
PRB approach to revision of targets for RP3

Agenda item 4

Key narrative of the target revision

- Safety remains the highest priority and safety levels must be retained
- The traffic decline has demonstrated what is possible in terms of delay and flight efficiency when traffic is lower.
- ANSPs have to deliver improvements in terms of environment and capacity performance
 - Restructuring
 - Accelerated implementation of the European ATM Masterplan
- Cost levels must reflect the drop in traffic and the new reality
 - There are still some reserves in the system from RP2
- The information from the performance plans submitted in November 2019 serves as a reference point

Traffic forecast



- As for Article 9 of the Commission Implementing Regulation (EU) 2019/317, the traffic forecast for Union-wide targets should be based on the latest available Eurocontrol Statistics and Forecast Service (STATFOR) base forecast

Safety

- The pandemic does not change that safety remains the highest priority and should be improved
- Compliance with Regulation 2017/373 should improve maturity of safety management systems
- The PRB advises the Commission not to revise the targets for the safety KPA.

Environment

- Data show that in some months with excess capacity, routes actually flown showed less extension.
- Member States and stakeholders should be able to improve the environmental performance in years with excess capacity
 - Planned network improvements – Free Route Airspace
 - Investments – ATM Master Plan
 - Improved planning – Improved Shortest Constrained Route
- The PRB is considering more ambitious Union-wide targets for the environment KPA

Environment – target ranges

KEA	2020	2021	2022	2023	2024
High range	(2.53%)	2.47%	2.40%	2.40%	2.40%
Low range	(2.53%)	2.36%	2.32%	2.32%	2.32%

Capacity

- Union-wide performance targets should ensure ANSPs offer sufficient capacity to meet expected demand
- Since introduction of travel restrictions, European network has costly excess of capacity
- ANSPs should generate close to zero delays in times of excess capacity
- The PRB will propose more ambitious Union-wide targets for the capacity KPA

Capacity – targets

ATFM delay	2020	2021	2022	2023	2024
Proposed targets	(0.9)	0.5	0.5	0.5	0.5

Cost-efficiency

Observations (1)

- 2019 actual costs were the highest in RP2 (above determined cost mainly because of staff costs)
- Part of ANSPs cost base are fixed costs – difficult to reduce short term, still significant reductions possible, as some ANSPs have demonstrated
 - Reduction of overtime
 - Reduction of bonuses
- ANSPs provide infrastructure which must be available in times of reduced demand
- Costs during RP2 included considerable amounts for remuneration of capital (around 5% of cost base in 2019)
- During RP2, planned cost submitted by Member States 8% higher than actual costs, indicating they overestimated costs

Cost-efficiency

Observations (2)

- Technical improvements/implementation of SESAR projects should improve cost-efficiency (e.g. allocation and utilisation of resources)
- ANSPs should react to lack of demand
 - By reducing cost, like companies in competing markets
 - By improving flexibility and scalability of their operations
- Most draft performance plans Member States submitted in October 2019 were found to be inconsistent with cost-efficiency targets
- The PRB will propose to revise Union-wide targets for the cost-efficiency KPA

Cost-efficiency – target ranges

Traffic (M3 SU)	2019 baseline	2020-2021	2022	2023	2024
STATFOR Sc2	125	109	87	102	116

Cost base (B€)	2019 baseline	2020-2021	2022	2023	2024
High range (-9% of 2019)	6.2	11.4	5.7	5.7	5.7
Low range (-15% of 2019)	6.2	10.6	5.3	5.3	5.3

Discussion / Q&A

Agenda item 5



Summary and closure of the meeting

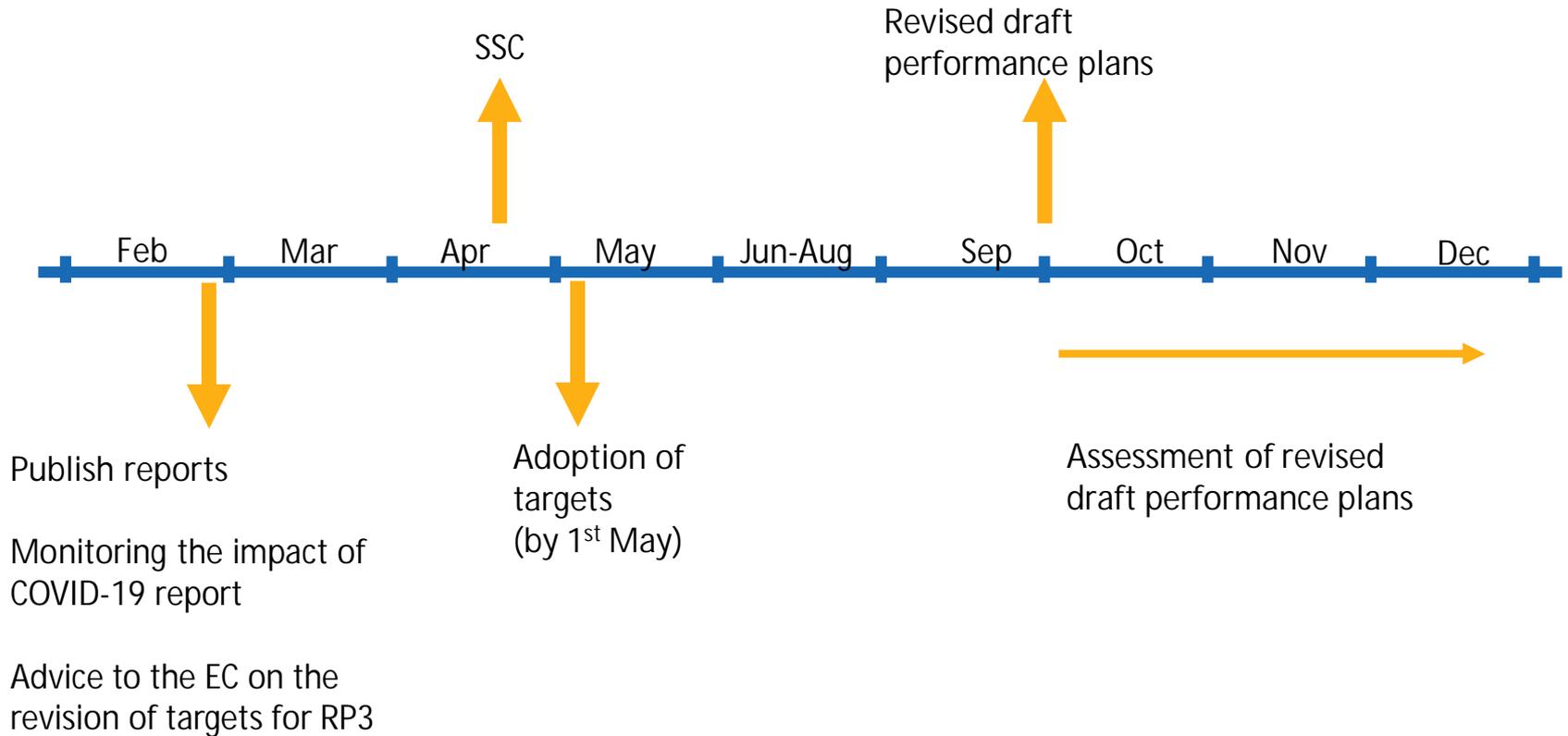
Agenda item 6



Conclusions

- Traffic is expected to be lower than 2019 for the remainder of RP3
- Safety must remain the highest priority
- With excess capacity, environmental performance must improve
- Excess capacity must be used to reduce delays to an absolute minimum and make structural changes
- Capacity should meet targets when traffic starts to recover
- Cost reduction cannot match the traffic reduction, however ANSP must contribute to decreasing costs to support restart of aviation

Next steps and timeline



THANK YOU

