



WORKING PAPER

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND
AIR NAVIGATION SERVICES**

Montréal, 15 to 20 September 2008

Agenda Item 1: Issues involving interaction between States, providers and users

1.1: Economic oversight

1.2: Economic performance and minimum reporting requirements

**ECONOMIC OVERSIGHT AND PERFORMANCE MANAGEMENT:
THE NEED FOR BALANCE**

(Presented by The International Transport Workers Federation (ITF))

SUMMARY

Economic oversight can have a direct impact on the employment conditions of workers in the air navigation services industry. Staff costs account for between 60 and 70% of total air navigation services costs. Any form of economic oversight has to involve trade unions in the process if industrial conflict is to be avoided. The need to balance the requirements of employees and other stakeholders has been recognized by some air navigation services employers, who have introduced policies to provide good employment conditions for ATCOs whilst at the same time delivering cost reductions and service improvements for customers. This paper deals with the role of workers in economic oversight and performance management and suggests amendments to *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082).

Action by the conference is in paragraph 5.

1. INTRODUCTION

1.1 In considering the role of economic management, States should take account of the views of workers and their representatives. Economic oversight can have a direct impact on the employment conditions of workers in the air navigation services industry. Staff costs account for between 60 and 70 per cent of total air navigation services costs. Any form of economic oversight has to involve trade unions in the process if industrial conflict is to be avoided.

1.2 The need to balance the requirements of employees and other stakeholders has been recognized by some air navigation services providers (ANSPs), notably NavCanada and Airways

Corporation of New Zealand as discussed at the Worldwide Symposium on Performance of the Air Navigation System (SPans 2007). These employers have introduced policies to provide good employment conditions for air traffic control officers (ATCOs) whilst at the same time delivering cost reductions and service improvements for customers.

1.3 This paper deals with the role of workers in economic oversight and performance management and suggests amendments to ICAO's *Policies on Charges for Airports and Air Navigation Services* (Doc 9082).

2. DISCUSSION

2.1 The aviation industry is likely to see a further recession in the next few months. The increasing cost of fuel and the increasing demands from States for the industry to reduce its environmental impact are leading to increased costs. Conversely the structural changes in the industry are reducing ticket prices particularly on routes in Europe and North America. These pressures are in turn having an impact on the services provided by ANSPs and airports. In many countries airport services are privatized and many ANSPs are operating as commercial entities or are fully privatized.

2.2 In airports the privatization process has had an impact on terms and conditions of employees. In particular the liberalisation of ground handling services has led to worse conditions in areas such as pensions, sick pay and training. In many countries aviation is unique in that it is the only transport mode that receives no subsidy or public funding. Increasingly it is expected that airlines should cover all of the costs of the air navigation services infrastructure. This is in marked contrast to the approach towards road or rail signalling and traffic management. This lack of public support is in turn increasing the pressure on providers to reduce costs and in many cases this brings pressure to reduce staff and a potentially adverse effect on performance targets for safety, efficiency and regularity.

2.3 In many countries air navigation services are deemed to be an essential service with the consequential impact on workers ability to bargain. Over recent times ITF along with the International Federation of Air Traffic Controllers (IFATCA) have dealt with an increasing number of threats to Trade Union activists in this sector. The International Labour Organization (ILO) has noted an increasing number of references coming from the air navigation services sector to its system. The tripartite conference organized by the ILO in 2002 concluded that "Civil aviation workers and employers should enjoy benefits of fundamental principles and rights at work, in particular the right to freedom of association and to collective bargaining." It is the ITF's position that unless States recognize that workers and their unions have a role to play in establishing economic regulatory frameworks, such frameworks will simply become another barrier to collective bargaining.

2.4 In the UK where price-cap regulation has been applied to some airports for almost twenty years and to the ANSP for the last seven years, we have already seen an impact on employment and terms and conditions. For example, NATS UK has told its unions that one of the reasons for changing current pension arrangements is because the economic regulator has stated he will not allow NATS to pass on full pension costs to customers.

2.5 In WP/5, ICAO states: "Since performance management is an important management tool for service providers, regulators and users, States should ensure, within their economic oversight function and through the consultation process, that appropriate performance management systems are developed and implemented by their service providers." ITF does not disagree with this except in one regard, there is no reference to workers. In our view it is essential for workers to be involved in the development process.

3. CONCLUSIONS

3.1 Economic oversight can have a direct impact on the terms and conditions of workers. Some employers already recognize that there is a requirement to balance the needs of customers, employees and other stakeholders. In setting a regulatory framework ICAO should take account of this need for balance.

4. PROPOSED AMENDMENTS OF POLICIES

4.1 Based on the discussion in paragraph 2, it is proposed to amend the paragraph 16 of Doc 9082 proposed by the ICAO Secretariat in WP/5 with the following text:

Economic performance and minimum reporting requirements

i) Define performance objectives related to key performance areas that should include, as a minimum, safety, quality of service, productivity, staff employment conditions and cost effectiveness;

iv) Undertake consultations with users, trade unions, professional associations and other interested parties to achieve a mutual understanding and consensus, where appropriate, on performance objectives, level of performance targets and plans to achieve the targets.”

5. ACTION BY THE CONFERENCE

5.1 The Conference is invited to:

- a) review the conclusions in paragraph 3.1; and
- b) adopt the proposed amendments of Doc 9082 in paragraph 4.1

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