



CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

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Agenda Item 1: Issues involving interaction between States, providers and users 1.2: Economic performance and minimum reporting requirements

EUROPEAN EFFORTS TO IMPLEMENT A PERFORMANCE-DRIVEN SYSTEM

(Presented by the European Commission (EC) and the European Organisation for the Safety of Air Navigation (EUROCONTROL))

SUMMARY

The crisis affecting the industry and in particular the aircraft operators since 2001 calls for significant actions by States and international organisations, aiming at improving the level of performance of air navigation services. The current ICAO Principles and WP/5 submitted by the Secretariat at this Conference recommend the highest level of performance and best practices to achieve these goals.

This paper presents European efforts to implement a Performance-driven system covering all air navigation services, in line with ICAO policies and, where possible, going beyond with a view to improving the overall performance of the system and assisting airspace users in facing the current economic challenges.

Action by the Conference is in paragraph 4.

1. INTRODUCTION

1.1 The June 2000 ICAO's Conference on the economics of airports and air navigation services (ANSCConf 2000) took place in a context of steady air traffic growth and addressed the challenges then facing the industry, including capacity management, privatization of service provision as well as financing and funding issues. Since this Conference, aircraft operators have been affected by an unprecedented crisis, recently further aggravated by the increase in fuel prices. Airlines achieved substantial productivity gains and managed to cut a lot of their costs, but still a large number of them currently fight for their survival (June 2008 IATA figures highlight expected losses of 2.3 USD billion for its member airlines in 2008 with fuel at 107 USD, and of 6,1 USD billion with a fuel at 135 USD).

¹ French version provided by EC and EUROCONTROL.

1.2 Air transport is vital to the European economy. It accounts for millions of jobs and over 200 billion euro of GDP in Europe. Economic efficiency, value for money and operational performances of airport and air navigation services has become the main concern of the airspace users while the pressure of reducing delays and allowing passengers to arrive on time has become more important than ever to get people and goods to their destination on time in this competitive global economy. In the past three years an overriding need to improve the efficiency of aviation for environmental reasons has also grown significantly.

1.3 Improved Performance is Europe's overriding goal, including continuous improvement on safety. All activities should target improved performance, set appropriate objectives and provide independent means to measure those improvements. This working paper presents European efforts to implement a Performance-driven system of air navigation services in line with ICAO's Policies.

2. THE EUROPEAN PERFORMANCE REVIEW SYSTEM

2.1 Eurocontrol, the "European Organisation for the safety of air navigation", has been operating a Performance Review System for ten years. This system is organised around a Performance Review Commission (PRC)² composed of 12 independent Commissioners nominated by Member States which was tasked to develop a strong, transparent and independent performance review and target-setting system. This system addresses all aspects of ATM including policy and planning, safety management at and around airports and in the airspace, as well as financial and economic aspects of services rendered. The PRC, supported in its work by the Performance Review Unit (PRU) has, over the last ten years:

- defined, in consultation with interested parties, Key Performance Areas (KPA) and related Key Performance Indicators (KPI) to measure the performance of ATM in Europe, including Safety, Punctuality and Predictability, Capacity and Delays, Flight Efficiency, Environmental impact and Cost-Effectiveness;
- established a mandatory information reporting system for ANSPs in Europe with both operational and financial data;
- published annual Performance Review Reports (PRRs) assessing the overall situation in Europe;
- published annual ATM Cost-Effectiveness reports (ACE) providing data and analysis on cost-effectiveness and productivity for 36 ANSPs in Europe;
- published ad-hoc reports covering specific issues such as comparison of performance in selected US and European En-route Centres, Aeronautical MET Costs, Punctuality Drivers at Major European Airports, impact of fragmentation in European ATM/CNS, Legal and Cultural Issues in relation to ATM Safety Occurrence Reporting in Europe or Evaluation of Civil/Military Airspace Utilisation among others;
- proposed performance targets at European level in the area of safety, cost-effectiveness, flight efficiency and delays;
- made a number of recommendations to Eurocontrol States and proposed both short-term and medium-term actions and has monitored developments when these recommendations and actions were eventually endorsed by States.

² PRC web page: <http://www.eurocontrol.int/prc/>

2.2 A first Single European Sky Package of legislative measures, adopted in 2004, addressed the performance review issue³. While making best use of the existing Eurocontrol system the legislative measures aimed at reinforcing this system by moving it into EU law.

2.3 In 2007, the European Commission established a High Level Group in charge of providing strategic guidance on how to make the Single European Sky more focused and detailed about the key regulatory, performance and environmental challenges. The final report “A framework for driving performance improvement”⁴ had an explicit title and developed several themes. One of the main themes was “improving performance”. This report recommended that performance management – within overriding safety objectives – should be applied to the safety, economic, environmental and social aspects of the aviation system.

2.4 As general principles, the High Level Group urged the Commission for every regulatory intervention to define performance improvement objectives, identify how the key players can be incentivised to deliver the improvement objectives, and require the appropriate performance reporting through independent reporting structures.

2.5 Specifically for ATM, the High Level Group recommended setting and following up performance targets to drive improved performance. The High Level Group also recommended that the European Commission reviewed the current approach and proposed a consistent framework for ATM performance target setting, incentives and follow-up.

3. THE SECOND SINGLE EUROPEAN SKY PACKAGE

3.1 The first Single European Sky package, through its establishment of collection, analysis and dissemination of information related to the performance of air navigation services paved the way for the setting up of the performance-driven system which is the main pillar of the second package of SES (SES II), adopted by the European Commission on 25 June 2008.

3.2 The starting point of European Commission’s approach to SES II was the trans-European network: air traffic management and airports are the infrastructure for aircraft operators. All airspace users are entitled to the safest and best services and to use the network at the lowest possible cost. Given the natural monopoly of air traffic control, performance must be regulated.

3.3 The challenge was to set in place a regulatory framework that drives the system to the required level of performance, adapted to the local situation. The Commission is proposing a framework with the following ingredients:

- Firstly, an independent performance review body must help the Commission in assessing the state of the ANS industry. The assessment should cover four performance areas: safety, the environment, capacity and cost-efficiency.
- Secondly, network-wide performance targets need to be set as an overall requirement for setting local performance targets. National supervisory authorities are responsible for organising wide consultation to secure agreement on such local performance targets.

³ Regulation (EC) No 549/2004 of the European Parliament and of the Council of 10 March 2004 laying down the framework for the creation of the single European sky (the framework Regulation)

⁴ Report of the High Level Group for the future European Aviation Regulatory Framework (July 2007) to be found on: http://ec.europa.eu/transport/air_portal/hlg/doc/2007_07_03_hlg_final_report_en.pdf

- Thirdly, the system should be credible. The targets should therefore be made binding at Community level. Route charges could be used to provide the necessary incentives.

3.4 This proposed performance framework is fully in line with the conclusions contained in WP/5 presented by the Secretariat which is fully supported. It must be noted that this performance framework will have to be developed in parallel with a review of the charging scheme principles in order to provide appropriate incentives and disincentives to meet the agreed targets, in accordance with the conclusions of WP/4 and WP/15 presented by the Secretariat.

3.5 The SES II package will be discussed, negotiated and adopted through the European Community's legislative process by the European Parliament and the Council of Ministers.

4. ACTION BY THE CONFERENCE

4.1 The Conference is invited:

- a) to note European efforts to implement a performance-driven system, as described in this working paper;
- b) To note the support of the presenters of this paper for the conclusions of the Secretariat in paragraph 3.1 of WP/5; and
- c) to request ICAO to consider establishing a regular dialogue with Regional Organisations on this issue, for example through an annual high-level conference.

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