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pcs Aviation Group (ATM Section) response to CAP 1758 "Draft UK Reference Period 3 Performance Plan proposals"

1. Introduction

1.1 The pcs trade union has around 180,000 members working in the UK civil service, public sector and on privatised, commercial contracts. Our members work across a broad range of roles including direct delivery of public services to policy development and drafting legislation.

1.2 Approximately 1,500 members work in the aviation sector covering Air Traffic Management (ATM), Civil Aviation Authority (CAA), Heathrow Airport Ltd (HAL) and Gatwick Airport Ltd (GAL), as well as staff at other regional and international airports. Within NATS our members' jobs include administrative roles, Air Traffic Service Assistants, Data Systems Specialists, AIM/AIS/NOTAM roles, flight planning, Flight Information Service Officers, safety specialists, management staff and Air Traffic Flow and Capacity Management positions.

1.3 Whilst predominantly in the private sector, we believe our members provide a crucial public service where security, safety and sustainability are the highest priority.

1.4 pcs will comment on the issues it believes are important to the Union, our members and the grades we represent with reference to the Chapters in CAP 1758 and to selected consultation questions.

1.5 This response is on behalf of the pcs trade union.

2. Chapter 1: Introduction and background

2.1 We welcome the proposal that the performance plan is adopted at the national level rather than as a FAB plan.

2.2 We also agree that it is not appropriate to apply the simplified charging scheme.

2.3 We consider the NERL traffic forecast to be the more appropriate forecast to use as it better reflects the nature of air travel in the UK and the historical position of the jet stream.

2.4 We will be interested to view and comment on the proposed modifications to the NERL license.

3. Chapter 2: Safety

3.1 We agree with the proposed approach to safety but have concerns that the cost reductions proposed in the draft performance plan may have a negative impact on the current high level of safety performance that NERL demonstrates.

4. Chapter 3: Environment

4.1 We broadly agree with the CAA's approach to the 3Di metric and welcome the proposal to adopt NERL's first suggestion for the exclusion of certain types of flight. However we also believe that the other exclusions suggested should be adopted, especially with regard to diversions and exceptional events. In these situations flight profiles will almost always be sub-optimal and skew the 3Di score. We would not wish staff to prioritise flight efficiency over safety in these situations.

4.2 The subject of noise is, of course, an important issue and NERL should work to reduce noise impact in as far as possible. However we would be very interested to view the proposed modifications to the NERL licence with respect to airspace modernisation and noise and the expectations of the DfT/CAA.

5. Chapter 4: Capacity

5.1 We welcome the CAA's observation that there is a level of "efficient delay" in ATC operations. We also welcome the statements that C1/C2 targets agreed through the customer consultation were reasonable and that the CAA is not minded to reduce these. The proposal to introduce modulation for the C2 metric for differences in forecast/actual traffic is also welcome. However we have concerns that, even taking into account any capacity enhancements NERL are able to introduce during RP3, traffic growth will be such that these targets become unachievable.

5.2 Bearing in mind the above, a greater concern is the asymmetric application of the bonus/penalty amounts for the C2 metric. Whilst the symmetry of the dead band seems more reasonable we believe that the larger potential penalty is not justified and adds more risk to the business.

6. Chapter 5: NERL RP3 costs

6.1 pcs considers this section to be one of the key parts of the performance plan proposals and is the one that provides us with the most concerns.

6.2 Early in the chapter resilience is mentioned several times and the CAA states "it is important to note the risks to understaffing in terms of a resilient service." However the Steer/Helios report suggests that efficiencies could be made with respect to NERL's staff cost assumptions. We do not agree with this conclusion.

6.3 We shall leave issues regarding ATCO/Engineering staff numbers and costs for our sister Union Prospect to comment on. However we will comment on the NERA and Steer/Helios conclusions that ATSA salary levels appear high compared to benchmarks.

6.4 One of the biggest issues with the NERA and Steer/Helios reports, and previous staff cost studies commissioned by the CAA, is that of using appropriate benchmarks.

6.5 As stated in the NERA report "NERL's staff undertakes highly specific and frequently highly trained jobs requiring skills which pay a premium over wages in the general economy. The wider economy does not employ staff to undertake the precise jobs of most NERL staff." They also state that "The difference between our modelled and actual pay for ATSAs that we identified is likely to reflect the difficulty we had in finding appropriate comparators for ATSAs, who conduct a mix of technical and specialist support functions." It is therefore interesting to note that in NERA's Table 3.4: Final Selection of Comparator SOCs it is stated that "ATSAs cover a broad spectrum of roles that are relatively transferrable between professions" which seems completely contradictory to the previous statements referenced.

6.6 The only “ATSA” job descriptions that NERA considered were Watch (Assistant) Supervisors (WAS)/Deputy Watch (Assistant) Supervisors (DWAS), Flight Information Service Officers (FISOs) and Air Traffic Service Assistants (ATSAs) at Prestwick and Swanwick. NERA considered that appropriate Standard Occupational Classifications (SOCs) for these were:

Administrative occupations: Records
Administrative occupations: Office managers and supervisors
Secretarial and related occupations
Human resources and industrial relations officers
Health and safety officers

Whilst these SOCs may be appropriate for NERL’s Management Support Grade (MSG) functions, they are wholly inappropriate for the ATSA jobs considered. Both ATSAs and WAS/DWAS roles require a high level of technical ATC knowledge to the extent that they are considered to be related to the safety of the operation. These skills include, but are not limited to, flight planning and knowledge of routes, knowledge of ATC procedures and the inputting of information into the NATS Flight Data Planning system.

Moreover the role of the FISO is often carried out by Air Traffic Controllers in other countries. Therefore the use of ATSA staff for this role actually results in a considerable cost reduction compared with other ANSPs.

6.7 Both the NERA and Steer/Helios reports also completely fail to take into account the other roles that “ATSAs” perform within NERL. These include, but again are not limited to:

Flight Planning Specialists
Civil Aviation Communication Centre operatives
Safety investigators
Air Traffic Flow and Capacity Management Specialists
Strategic Planning Managers
AIS/AIM/NOTAM roles
Data System specialists
Route Management experts
Civil/Military coordination specialists
Simulator Support Staff (including pseudo pilots and controllers)

As with the FISO role many of these jobs are undertaken by ATCOs/Engineers in other countries and therefore the use of ATSA and related staff represents a significant reduction in staff cost compared with other ANSPs.

In fact even within NERL some of the roles “ATSAs” undertake are also carried out by ATCOs/engineers with only some very minor differences in responsibilities /accountabilities, for example Air Traffic Flow and Capacity Management.

6.8 The Steer/Helios report with relation to “ATSA” staff makes similar comparisons to the NERA report, including the use of similar SOCs.

6.9 Their report indicates that the ATSA staff number projections in the NATS BP appear high/very high.

6.10 We consider that these increases are actually vital for the delivery of ATCO training and the major projects that NERL will be undertaking. Again the use of ATSA staff to deliver these benefits actually represents a potential cost saving compared to using ATCOs and engineers to carry out the same/similar tasks. It is interesting to note that in para 5.12 Steer/Helios state “The additional ATSAs may alleviate this situation (differences in number of trained ATCOs) by allowing ATCOs who might have been on other duties to instead focus on frontline operations.”

6.11 Again we maintain that the comparators shown in Figure 5.14 in the Steer/HELIOS report referencing ATSA salary benchmarking are not appropriate and do not reflect the specialist roles our grades undertake. This is also referenced in para 5.97 of the Steer/HELIOS report were it is stated that “NATS note that most of these comparators do not play safety critical (and related) roles as ATSAs do.”

6.12-6.14 REDACTED

6.15 We believe that Steer/Helios, NERA, NATS and the CAA all underestimate the amount of technical knowledge that our members generally have, resulting in an assumption that support roles can easily be homogenised/numbers reduced. With this in mind pcs are commissioning a report on what future support roles could look like, with a view to benefiting both the service and the workers who provide it.

6.16 While we stated at the outset of this section that we will defer to Prospect regarding ATCO/Engineer issues we feel we must comment on para 6.38 of the Steer/HELIOS report which states "The number of trainees could therefore be reduced proportionally This will affect other cost lines, for example ATSA Trainers requirements". ANSPs throughout the world historically go through a long-term cyclic "boom-bust" scenario with regard to ATCO recruitment and numbers. The fact that there have been many recent (and often penal) ATC staffing regulations in Karlsruhe, Belgium, Maastricht, France and the UK reflects this. Like many other areas of the draft performance proposals we believe that this short term view is not helpful and that all ANSPs need to achieve a "steady state" with regard to staff numbers, which will include an element of overbearing to allow contingent, resilient, safe and efficient operations.

6.17 Regarding Non-staff costs pcs also have several issues with the CAA's approach.

6.18 We find it curious that the CAA are suggesting that operating costs can start to be reduced from 2019. As CAP 1758 is a proposal for RP3 (2020-2024) we are puzzled as to why 2019 is referenced, as this falls within RP2 and the previous performance plan.

6.19 Notwithstanding the above by the time the RP3 plan is agreed (if it is) and the implications of Brexit are factored in/understood it would seem unfeasible for NERL to bring the cost reductions in earlier than 2020.

6.20 We believe that the further suggested reduction in operating costs of £71m over RP3 compared with the NATS business plan carries a real risk of the company not being able to deliver the safe, resilient, high quality service that airspace users demand and be able to deliver the extensive programme of modernisation and change that the UK airspace requires.

6.21 On Non-regulatory revenues and costs we are very concerned by the CAA's assumptions that NERL can increase its revenues over and above those proposed it its business plan. The ATC commercial world is a highly competitive one and many of the players are large commercial companies. pcs believes that NERL has made good progress in expanding the commercial side of the business but do not believe that it should be pushed into a place where this distracts the company from providing its core business. We would welcome an explanation from the CAA of the evidence behind their increased revenue assumptions.

6.22 On pensions we again have some major issues with the CAA's views and assumptions.

6.23 History has shown that the trustees of the DB pension scheme have managed the scheme superbly over the past several difficult years. Despite the negative nature of gilt returns other investment returns have outperformed forecasts and gone some way to mitigate a larger deficit in the scheme.

6.24 We therefore do not believe it is appropriate for the CAA to attempt to influence the assumptions the trustees/actuaries make regarding the scheme.

6.25 We also disagree with the CAA's views around potential "trapped surpluses". We are confident that once the scheme returns to being fully funded, with the appropriate level of surplus prudent to mitigate against future changes in market conditions, NERL and the pension trustees will agree to plans that appropriately reduce the pension cost to the company and therefore the costs to customers.

6.26 Similarly we do not think it appropriate for the CAA to assume that it will be possible for the deficit repair plan to finish by 2022, as opposed to the current NERL plan of by 2024.

6.27 Regarding the proposed Regulatory Policy Statement, we feel that this is entirely appropriate and, notwithstanding the comments above, help the trustees better manage the scheme and the current deficit.

6.28 We feel that the proposed £48m reduction in CAPEX over RP3 requires much more justification than "a lack of confidence in the cost efficiency of NERL's programme as a whole". Projects such as DSESAR, which are highly complex, are vital for the future safe and efficient air traffic in the UK and these should not be put at risk by expecting further cost reductions.

6.29 We completely disagree with the proposals regarding the review of major projects. It is unreasonable to expect customers to have this level of input into the decisions that NERL needs to take as a business. Ample protections (e.g. the licence, performance plan etc.) are already in place in this area and trying to run a business in the way proposed would be completely unfeasible.

6.30 The proposed licence modification giving NERL an obligation to support and drive forward airspace modernisation also raises some questions. We would need to see the detail but the implication is that the onus is being put on NERL for airspace modernisation. While NERL has the experience and expertise to lead this work it cannot deliver change without a high level of support from the regulator, the DfT and the Government. We therefore struggle to imagine what this licence modification would entail/achieve.

7. Chapter 6: Overall costs

7.1 We do not have any major comments to make on this section, save to say that the wording in para 6.20 around the PBO seems at odds with the language used in the previous chapter when referring to the NERL DB scheme. Are the CAA not able to consider a reduction of their £6m per annum pension liability charge in the same way it is suggesting NERL does?

8. Chapter 7: Financeability

8.1 The author of this response is not an expert on this matter and will therefore not comment in detail on this chapter.

8.2 However we do consider that NERL has historically demonstrated excellent handling of its finances though expert and sound management.

8.3 We are therefore concerned by the very large difference between the CAA and NERL assumptions on cost of capital and the subsequent potential impact on financeability.

8.4 We encourage the CAA to engage with NERL on this issue to try to ensure a better understanding of each other's position/alignment of views with regard to cost of capital.

9. Chapter 8: London Approach

9.1 We would welcome more detail from NERL as to the administrative costs involved with recovering charges from individual aircraft as opposed to Biggin Hill airport. We believe that the costs may be disproportionally high but think that indicative evidence needs to be provided.

9.2 We believe that further work is required on the scope and performance metrics for the London Approach service, as only the availability of the service in itself seems a too simplistic measure.

10. Chapter 9: Uncertainty mechanisms

10.1 pcs broadly agree with the NERL's/the CAA's proposals referenced in this chapter.

10.2 We are concerned by the statement in para 9.11 that the default risk sharing mechanism "provides a strong incentive on NERL to mitigate the impact of lower traffic levels (for example, by reducing costs)". We caution against advocating a "knee-jerk" approach to such factors such as decreases in traffic levels as there is a high degree of risk of under-resource should traffic levels increase again over the short/medium term.

10.3 We welcome NERL's proposal for an Opex Flexibility Fund, subject to appropriate governance arrangements.

10.4 We also welcome CAA's proposal for an AMS support fund. However we question whether £10m over RP3 will be sufficient.

10.5 As mentioned throughout CAP 1758 there are many uncertainties and variables that could affect ATC in RP3 (Brexit, traffic patterns, world events etc.) One area that is not specifically mentioned is that of drones and "U-space". With EASA rules only just starting to be formally developed in this area, and bearing in mind recent events, this is obviously another important area which is also subject to some degree of uncertainty. We suspect that the CAA/NERL consider this to be part of the AMS project but would welcome more information as to where the CAA believes the issue sits.

10.6 Bearing in mind all of the above it is vital the protections offered by the uncertainty mechanisms are robust and appropriate.

11. Chapter 10: Terminal Navigation Services

11.1 We agree with the suggestion that London City Airport should remain within the scope of Charging Zone B, despite being currently below the threshold. We agree with the CAA's view that they will reach the threshold during RP3, especially bearing in mind the potential capacity increases that should result from the introduction of digital (remote) tower technology.

11.2 We also agree with the proposal not to apply cost efficiency or financial incentives/penalties for TANS during RP3.

12. Chapter 11: Oceanic

12.1 pcs welcomes the commencement of ADS-B operations in Oceanic airspace and the associated potential increases in safety and efficiency, and the subsequent lessening of the impact of the environment. We agree that it will take some time to establish the exact benefits and therefore will not comment in detail on the proposals in this chapter. However we note the CAA's estimated net benefits detailed in Table 11.3, which appear sizable.

12.2 However we question the statement in para 11.36 that "We will require the NATS Board to certify that it is operating a fully ADS-B service for Oceanic airspace." Before NATS were able to make that assertion we would question whether all transatlantic flights are ADS-B equipped, if there any surveillance coverage issues, what fall-back/contingency arrangements there are etc., etc.

12.3 As per our comments on previous chapters we do not agree with the CAA's proposals for reductions in staff opex (-2.3%), non-staff opex (-5%), pension costs and cost of capital assumptions. The proposal for the 5% reduction in the ADS-B charge also seems arbitrary and not fully justified.

12.4 We find in interesting that while in Chapter 5 of CAP1758 the company is being encouraged to try to increase its commercial activity and non-regulatory income there are concerns raised in this chapter about the company "sitting on both sides of the transaction." We find this approach somewhat incongruous.

12.5 Again we would welcome sight of any proposed changes to the licence regarding Oceanic operations and have the ability to comment on these.

12.6 The consultation question section references "the decision to reject NERL's proposal of a pass-through approach (for) ADS-B data costs to users" but we did not see this as being explicitly stated in the chapter and would therefore welcome more evidence/justification on this.

13. Conclusion

13.1 pcs welcomes having the opportunity to comment on the CAA's proposals.

13.2 While there are some areas where agree with the CAA's approach and proposals there are many that cause us grave concern. We believe that the further cost reductions proposed will have a serious impact on the company being able to deliver a safe, efficient and resilient operation, while at the same time trying to deliver a large and complex system/airspace modernisation programme.

13.3 We consider many of the assumptions/proposals to be based on the present and near future, rather than considering the challenges of RP3 in a holistic manner.

13.4 We also question whether there is sufficient evidence for some of the CAA's assumptions/proposals and whether appropriate impact assessments have been carried out.

13.5 As a Trade Union it is our responsibility to look after the interests and welfare of our members in the grades we represent. Staff in our grades have suffered more than any others from cost reductions over the past many years. The Union and our members have previously agreed to make many changes to help the company become more efficient but there is a limit as to how much further we can or are willing to go.

13.6 As the CAA will be aware NATS and the Trade Unions have a long history of good industrial relations.

13.7 It should also be noted that the next NATS pay award is due to be implemented from 1st January 2020. While pay negotiations in recent years have been difficult NATS and the Trade Unions have been able to reach agreement on pay. We note Figure 5.10 in the Steer report that shows a real term fall in average weekly earnings for our staff compared with the wider economy. Bearing in mind the cost reductions the CAA proposes we find it difficult to see how we will be able to achieve a pay deal for 2020 and beyond that is acceptable to our members.

13.8 After the closure of the consultation we would appreciate a meeting with the CAA to discuss their RP3 proposals and our concerns in more detail.

13.9 Thank you for taking the time to consider our response.

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