

Mr. Ken Cheong
Head, Price Control Regulation
Civil Aviation Authority
CAA House 45-59 Kingsway
London
WC2B 6TE

Paul Tate
Manager Flight Technical Services
Flight Operations
Waterside HFB1
PO Box 365
Harmondsworth
UB7 0GB

Sent by email via
barbara.peratasmith@caa.co.uk

Email: paul.tate@ba.com

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Dear Ken,

Please find British Airways response to your consultation on the NATS flight efficiency regime. Please do not hesitate to contact me if you need to clarify any points.

Consultation on NATS (En Route) plc (NERL) flight efficiency performance regime dated 2 August 2011

Do you consider that NERL has used best endeavours to develop a flight efficiency regime?

We are pleased that NERL has been able to develop a Flight Efficiency metric and a method to gather operational data to calculate a performance rating. We are particularly pleased that this metric has been further developed to take into account not only the lateral track extension but also the vertical profile. It is absolutely crucial that any flight efficiency measure includes both lateral and vertical measures of efficiency.

The measure at this point is not perfect. For example, the lateral profile measures the actual route flown versus the great circle distance with the difference being an indication of the lateral inefficiency. This is not strictly correct as the preferred business lateral trajectory will be influenced by wind and therefore the great circle track may not be the most efficient. Also, flight planning restrictions (e.g. level caps, RAD constraints) are assumed in calculation for the most efficient flight and therefore a comparison wouldn't be strictly correct.



However, we believe that it is best to implement what is available today and then regime should be continuously developed moving forward.

It is important that NERL have access to the breakdown of the data to enable them to target particular areas of flight inefficiency. For example, holding at LHR is responsible for a large part of flight inefficiency. Another example is interrupted climbs on departure from airports within the London TMA.

Do you agree that there should be a flight efficiency performance regime from the start of 2012 and that it should be based on the 3Di score?

Yes, the flight efficiency regime should be implemented at the start of 2012 and it should be based on the 3Di score. As mentioned above, the measure isn't perfect but it is a very good start. We would prefer the early implementation of the regime with a process put in place to continuously develop and review the effectiveness of the regime.

Do you agree with NERL's proposals for the par value and deadband? If not, on what basis should the par value and deadband be set?

No, we do not agree with NERL's proposals for the par value and deadband. We agree with concept of par values and a deadband, but we do not agree with the absolute values proposed by NERL. The par value should be based on expectations of stretching levels of performance. The par value proposed by NERL of 25.5 units doesn't do this as it has been set at a level that NERL are already exceeding. The 3Di score for 2010 was 24 units. Therefore, to incentivise and stretch NERL's performance British Airways would propose a par value of 23 units.

The size of the deadband is too large. British Airways proposes that the maximum and minimum values of the deadband are adjusted in to better incentivise NERL to both achieve a bonus payments and avoid a penalty payment. In the busy year of 2008 NERL achieved a par value of 26.1. Therefore, we would propose that the maximum level should be 26 units and with the par value being 23 the minimum level should be 20 units. This will provide a realistic and stretching incentive to NERL.



Do you agree that flight efficiency incentive rate should be set at £0.2 million per unit capped at 20% of available money at risk? If not, on what basis should payment rates be set?

We agree with the principle of a bonus and penalty regime suggested by NERL, along with the level of money at risk. We believe that the professional and institutional reputation of the regime will provide NATS with an important incentive. The cash bonus and penalty suggested will add to this incentive, which will benefit NERL's customers.

We believe that the maximum bonus should be achieved at 10 units and that the bonus per unit point should start smaller and step up in size. For example if NATS achieves 19 units they could receive a bonus of something like £100k per unit and the value of the bonus should be progressively stepped up so that if they achieve 10 units they could receive something like £300k per unit. This would provide a worthwhile incentive to NERL.

The maximum penalty at 54 units isn't realistic. The maximum penalty should be achieved at 40. Similar to our recommendation on the bonus, the penalty per unit should be progressively stepped up in size between 26 and 40 units.

Do you agree with the adjustments proposed by NERL? Are there any other adjustments that should be made?

Not entirely. We agree that there may be exceptional events that affect the 3Di score e.g. 2012 Olympics, Weather, Traffic mix. However, we do not accept that adjustments should be made for all of these. The 2012 Olympics are certainly an exceptional event and are over an extended period, so have the potential to affect the normal 3Di score. However, this is not certain and it would be best to review the results after event and remove the time period only if it is shown that a significant and substantial affect has occurred. We don't agree that weather event periods should be excluded as these occur every year and are of short duration. Traffic mix change will be gradual and is an indication of the evolution of the air traffic business in UK airspace. The deadband should account for these changes if gradual. However, the annual review should consider the impact of any change in traffic mix and the affect that this has on the 3Di score. The maximum and minimum deadband values should be adjusted if necessary. NERL should not receive a bonus or be penalized for a change in the traffic mix. However, NERL should adjust their business to change with the evolving traffic mix to continuously improve flight efficiency. Consideration should be given to having a breakdown of the Flight Efficiency metric by traffic type. Currently, an increasing volume of international overflights would offset a deteriorating efficiency for London TMA arriving international flights. This would then provide a focus on improving the efficiency of all types of flight.



Do you agree with the annual review process proposed and the threshold for the test?

Yes, we agree with the principle of an annual review and test. A Flight Efficiency metric and related performance scheme has never been implemented before. We agree that the regression coefficients that underpin the 3Di score should be reviewed for their appropriateness. Also, we would welcome a continuous review of the metric and where necessary, adjustments be made to the process, the deadband and minimum and maximum values of the deadband. This annual review should be conducted by the CAA with support from NERL and consulted on with stakeholders at an annual meeting.

We cannot comment on the specific threshold set for failure (6% = 1.5 units) as we do not have the technical knowledge to determine whether or not this is realistic.

Additional comments

We believe that the Flight Efficiency metric developed by NATS has the scope to be used as part of the SES National Performance Plans across Europe and the European wide targets. We would like to see this investigated by the EU Performance Review Body. Additionally, we believe there is scope to use this regime on the North Atlantic and feel this should be considered by SESAR and NextGen.

Yours sincerely

Paul Tate
Manager Flight Technical Services

