

International Air Transport Association (IATA) response to the CAA consultation of 2 August 2011 on NATS (En Route) flight efficiency performance regime.

Summary

- IATA fully supports the introduction of a 3Di flight efficiency metric, combining the vertical profile with the horizontal track, as soon as possible.
- We recognize the significant development and data processing by NATS in developing the new metric.
- We are generally comfortable with the proposed 3Di metric.
- In our view however the proposed par value and dead band are insufficiently ambitious to incentivise NATS performance.
- We believe the proposed risk mitigation measures are also too conservative
- We support the proposal for an annual review to avoid unintended consequences and ensure the metric remains fit for purpose.
- Given the importance of flight efficiency to the airlines we will be urging the EC to consider introduction of a 3Di type metric for the next EC Performance Scheme reference period (RP2).

1. IATA represents over 230 airlines worldwide comprising 93% of schedules international air traffic. With some 90 of these members using UK airspace we welcome the opportunity to give our views on the NATS proposals for introduction of a flight efficiency metric and incentive regime into the Control Period 3 (CP3) price controls.

2. Along with delay performance flight efficiency is clearly one of the two most important service quality elements for airlines. This is against the background of the increasing and volatile fuel costs which are currently some 30% of airlines' total operating costs and the impact of the proposed introduction of the EU Emissions Trading Scheme from 2012.

3. As the CAA will be aware we have therefore consistently and strongly supported introduction of a flight efficiency metric for CP3 as soon as possible. This is well recorded in our responses to the CAA CP3 consultations of February and May 2010, the CCWG meetings and Co-Chairs Report of December 2009 as well as the two helpful CAA Workshops in July 2010 and September 2011.

4. During these discussions we recognized the limitations of a metric that only reflected horizontal flight efficiency, the possibility that this could even be counter-productive in more complex airspace, and the desirability to develop a more appropriate metric to combine track efficiency with newly developed vertical components to estimate vertical efficiency.

5. We much appreciate the significant development and data processing undertaken by NATS in developing the new 3D inefficiency (3Di) metric to measure fuel burn and emissions benefits that it can deliver. Our understanding is that these benefits can be achieved through short-term changes to procedures and removal of constraints in the network, together with long-term structural changes to the network through airspace and procedure change and ATC tools deployment.

6. As the CAA will be aware from our comments at the 5 September workshop we generally support the proposed 3Di metric but have concerns with the lack of ambition of the proposed par value and size of the dead band. It was clarified that the current proposed par value of 25.5 units is not stretching as the metric is already below this, with a 3Di score of 24 units for 2010. Intuitively the proposed par value should therefore be at least 23 units. We believe that the maximum and minimum values of the dead band should be 26 and 20 units to better incentivize NATS to achieve bonus payments and avoid penalties and provide realistic and challenging targets.

7. It should be noted that the metric would be related to the filed ATS flight plan which often reflects airspace restrictions, level capping, rerouting due to sector regulations, military activity etc. which does not take into account the ideal preferred trajectory reflected in an optimum flight plan.

8. We also consider the risk mitigation proposals by NATS, understandable from their perspective given the bonus/penalties at stake, as being too conservative. The 2012 Olympics are an exceptional event. It should also be considered that the other side of the potential penalties coin is that NATS will presumably make significant additional revenues from the Games traffic. The CAA will recall that during the CP3 review we did not believe the additional workload for the relatively short duration Games should justify removal or reduction to the performance incentive mechanism.

9. We would also reiterate our view that bonuses are unjustified as a matter of principle with regard to service quality performance given that airlines would be paying for agreed levels of capacity and performance. Bonuses can be regarded as a double hit on the airlines. Our understanding is that some 20% of the GBP 24m at risk for NATS during CP3 is reserved/related to flight efficiency. Given that we firmly believe the CAA CP3 delay performance targets are too soft we would certainly expect for the flight efficiency targets to be more robust.

10. As with delay performance however the penalties are not expected to compensate for the real cost of flight inefficiency for the airlines and it is accepted that the objective is to focus NATS management on achieving improvement in areas that are of major importance to their customers.

11. With regard the flight efficiency metric we believe results should be reviewed after the event with removal of the time period only if it can be shown that a significant and substantial effect has occurred. Neither do we believe that weather event periods should be removed as these occur every year and are of relatively short duration. The dead band should anyway allow for such small changes over short periods. We do not believe that NATS should be subject to penalties or bonuses due to changes in the traffic mix. These are anyway likely to be over a longer period and could be allowed for through dead band values following the proposed annual reviews.

12. We fully support the proposal for an annual review process. Given this is the first time to our knowledge that such a metric will be introduced we recognise the desirability for an annual review process to ensure credibility is not undermined and to minimize risk of undeserved bonuses or penalties. While it has been suggested that the Operational Partnership Agreement (OPA) might be a suitable group to monitor results from the metric and recommend necessary modifications, we believe a review should be conducted on an annual basis by the CAA with support from NATS and key stakeholders including users. Such a review process will also enable continuous improvement of the metric and the process from experience.

13. We are pleased to note that NATS has been liaising closely on this issue with among others SESAR, the EUROCONTROL PRB, CANSO and ICAO. The ATM-based fuel efficiency measures addressed in this CAA consultation run parallel to the technology-based measures that we are working on with ICAO. IATA environmental policy has consistently said that Governments should work out the inefficiencies in airspace management before seeking to impose economic measures on airline operators. The proposals within this consultation are considered a good step in that direction.

14. The first reference period or RP1 (2012-14) of the EC ANS Performance Scheme only includes a Europe-wide non-mandatory and monitoring target of a 0.75% average horizontal en route flight extension/efficiency in 2014 compared to 2009. Given the importance of flight efficiency to the airlines, along with delay performance, we will be urging the application by the EC of a similar 3Di Metric for the next RP2 reference period.

Geneva, 5 October 2011