

# In focus

Developing the UK-Ireland Performance Plan for Reference Period 2 of the SES Performance Scheme

December 2013

## December 2013 update

### Background

This briefing provides an update on the preparation of the UK inputs to the UK-Ireland Performance Plan for Reference Period 2 (RP2 – 2015-2019) of the Single European Sky (SES) Performance Scheme.

It provides an overview of the Performance Scheme; sets out the high-level EU regulatory requirements; provides a summary of activity since the Process Update for the Economic Regulation of NERL ([CAP 1019](#)) was published in April 2013; identifies the affected stakeholders; opportunities to engage.

### The performance scheme

The SES Performance Scheme is an EU initiative to improve the performance of Air Navigation Services (ANS) in four key performance areas (KPAs):

- Safety;
- Environment;
- Capacity; and
- Cost-efficiency.

The Performance Scheme is a regulatory regime that sets targets on ANS providers over a fixed period. The first period – Reference Period 1 (RP1) – runs from 2012 to 2014. Under the Scheme, National Supervisory Authorities (NSAs) must develop Performance Plans that contain

local targets for each KPA that contribute to the achievement of EU-wide targets; the plans must then be adopted by Member States. For RP1, the UK Performance Plan was developed by the Civil Aviation Authority (CAA) as the UK NSA and was adopted by Government in June 2011.

### The NATS Licence

In the UK, the provision of en route ANS has been subject to economic regulation and fixed period price controls since privatisation of NATS in 2001. This has been given effect through a Licence under the Transport Act 2000, with the CAA acting as the economic regulator. There are many parallels between the UK economic regime for NATS' en-route business and the Performance Scheme. As such they are being managed together with the relevant parts of the Performance Scheme targets fulfilling the requirements for the NATS Licence.

### The UK-Ireland FAB

A Functional Airspace Block (FAB) is defined as an airspace block based on operational requirements and established regardless of State boundaries. The UK and Ireland established a FAB in 2008 – for more information see [www.ukirelandfab.eu](http://www.ukirelandfab.eu).

For RP2, the Performance Scheme requires that Performance Plans are developed and adopted at the FAB level; in particular, Plans must contain FAB targets

for safety, environment and capacity. We are therefore working closely with Ireland's NSA – the Irish Aviation Authority (IAA) Safety Regulation Division (SRD) – to put together a UK-Ireland Performance Plan. Targets for en route and terminal cost-efficiency are to be set at the charging zone level and terminal capacity targets at the national level. In determining the UK inputs to the UK-Ireland Performance Plan, and to support our domestic obligations relating to the Transport Act 2000 and the NATS Licence, it is still necessary to conduct a significant amount of consultation and analysis at the UK level. This update focuses on our UK activities.

## EU Regulatory Requirements

The Performance Scheme comprises of two detailed regulations, which were revised in May 2013 in preparation for RP2:

- COMMISSION IMPLEMENTING REGULATION (EU) No 390/2013 laying down a performance scheme for air navigation services and network functions – the performance regulation; and
- COMMISSION IMPLEMENTING REGULATION (EU) No 391/2013 laying down a common charging scheme for air navigation services – the charging regulation.

Together the regulations provide for:

- The European Commission to establish EU-wide targets for the four KPAs.
- NSAs, working together within their FABs, to develop local performance targets and plans that demonstrate consistency with and contribution to the EU-wide targets
- The Performance Review Body (PRB) – as the Commission's independent expert body – to support the Commission and NSAs in the development of EU-wide and local targets and then to assess the subsequent Performance Plans against the EU-wide targets.
- For the Commission, subject to PRB advice, to determine whether collectively FAB Plans meet the EU-wide targets, with the potential to direct States/FABs to amend Plans where they are deemed to fall short.

In RP1, the focus was on the en route ANS, with local targets at the national level and only required for capacity and cost-efficiency. For RP2, there is

a more gate-to-gate approach, with targets across all KPAs, local targets at the FAB level for safety, environment and capacity and at the charging zone level for cost-efficiency; in addition to target setting for terminal ANS.

## Stakeholders

Whilst the focus of the Performance Scheme is ANS, the regulations necessarily place requirements on a number of actors across the Air Traffic Management system:

- ANSPs (en route, terminal, MET and the Network Manager)
- Air transport operators
- Airports
- Airport coordinators
- NSAs: and
- Member States

Some of the regulatory requirements are for provision of information – as is currently provided in RP1 – some are for the purpose of target setting and performance monitoring. Table 1 summarises the UK stakeholders that are subject to the Performance Scheme and the nature of the requirements upon them.

## Process to date

There are four main inputs to the development of the UK contributions to the UK-Ireland Performance Plan, which are set-out below:

### NATS business plan

In developing the UK contribution to the UK-Ireland Performance Plan for RP2, we tasked NATS to draft an Initial Business Plan (IBP) covering the period of RP2 and consult on it with their customers over the summer period – see CAP 1019 above. A Customer Consultation Working Group (CCWG), was established, the [final report](#) of which was submitted to the CAA on 30 September 2013. Taking into account inputs from its customers as part of the CCWG process on the IBP, NATS submitted a [Revised Business Plan \(RBP\)](#) to the CAA on 18 October 2013.

Alongside the NATS/airlines CCWG activity, we have launched a number of expert consultancy studies to look in detail behind the content of the NATS Business Plan. The consultancy studies are expected to deliver final reports that we will publish ahead of formal consultation on the Performance Plan. These studies cover:

- Cost allocation;
- Capital expenditure (capex);
- Operational expenditure (staff & non-staff opex);
- Pensions; and
- Cost of capital.

## London Approach

For the major five airports in London NATS provides a co-located Approach service (London Approach) from its Terminal Control Centre at Swanwick. With the additional focus on Terminal ANS in RP2, we decided it was appropriate to review the treatment of charges for London Approach. We consulted on a number of options in [CAP 1098](#), which provides more detail and background to the London Approach service. The [responses](#) to the London Approach consultation, which closed on 17 November 2013, are published on the CAA website and will inform how we treat London Approach in our main consultation on the Performance Plan in early 2014.

**Table 1: UK stakeholders subject to the Performance Scheme**

Group	Entity	Requirement
Air navigation service providers  (Threshold for inclusion of terminal ANS providers is 70,000 IFR air transport movements pa)  (based on 2012 Eurocontrol data)	NATS (En Route) plc (NERL)  NATS Services Limited (NSL) at: <ul style="list-style-type: none"><li>■ London Heathrow;</li><li>■ London Gatwick;</li><li>■ Manchester;</li><li>■ London Stansted;</li><li>■ Edinburgh;</li><li>■ London Luton;</li><li>■ Birmingham*; and</li><li>■ Glasgow</li></ul> The Met Office (MET)	Subject to performance targets and monitoring under Annex I and information provision under Annex V of the performance regulation.  *ANS at Birmingham will be provided by NSL until the end of 2015; for the remainder of RP2 it will be provided by Birmingham Air Traffic Limited.
Airport operators	London Heathrow airport (HAL) London Gatwick airport (GIP) Manchester airport (MAG) London Stansted airport (STAL) Edinburgh airport (EAL) London Luton airport (LLAOL) Birmingham airport (BIAL) Glasgow airport (GAL)	Subject to information provision under Annex V of the performance regulation.
Airport coordinators	Airport Coordination Limited (ACL)	Subject to information provision under Annex V of the performance regulation.
Air transport operators	British Airways (BA) BMI Group easyJet Flybe Loganair Monarch Airlines Thomson Airways	Subject to information provision under Annex V of the performance regulation.
National authorities	Department for Transport (DfT)  Civil Aviation Authority (CAA)	Subject to performance targets and monitoring under Annex I and information provision under Annex V of the performance regulation.

## Terminal ANS

In addition to the London Approach activity, we are also considering how to address Airport Tower Services (and approach services outside of London) under the RP2 regulations. In February 2013 we published [CAP 1004](#), which considered the market for Terminal ANS provision in the UK. Our report concluded that on the evidence available market conditions were not present within the provision of Terminal ANS at airports within scope of the Performance Scheme; and that there were a number of barriers to entry that are impacting on the development of competitive market conditions. Under the RP2 regulations, where market conditions have not been demonstrated, performance plans must include national targets for terminals ANS. We therefore launched a consultation ([CAP 1132](#)) on how to treat terminal ANS, the outcome of which will inform our approach in the Performance Plan.

## EU-wide targets

One of the key tenets of the Performance Scheme is that local targets in FAB performance plans must demonstrate consistency with and contribution to the EU-wide targets adopted by the Commission. The setting of the EU-wide targets follows three stages: an extensive process of engagement, consultation and analysis by the PRB concluding with their final report to the Commission at the end of September 2013; a Commission draft Decision on EU-wide targets for discussion with Member States through the Single Sky Committee; and final adoption by the Commission. The final stage should be completed by early 2014.

## Approach going forward

Collectively, the NATS business plan and our associated expert consultant studies, along with the outcomes from the London Approach and Terminal consultations and the finally adopted EU-wide targets will form the major inputs for consideration and analysis by the CAA in developing the UK inputs to the UK-Ireland Performance Plan for RP2.

We will then combine our inputs with the IAA SRD's to develop FAB-level targets for safety, capacity and the environment for inclusion in a UK-Ireland Performance Plan. The intention is to begin formal stakeholder consultation on the Plan in February 2014.

Following consultation, along with the IAA SRD, we will reflect on stakeholder feedback, making amendments as appropriate and then jointly submit the final Plan to the UK's Department for Transport (DfT) and Ireland's Department of Transport, Tourism and Sport (DTTAS) for formal adoption at the State level as the UK-Ireland Performance Plan.

On adoption the DfT and DTTAS will jointly submit the Plan to the Commission and PRB. During the summer of 2014, the PRB will assess all FABs' performance plans for consistency with and contribution to the EU-wide targets and report to the Commission in early September 2014. By the end of November 2014, taking account of the PRB's advice, the Commission will decide whether or not to accept each FAB's plans and notify Member States accordingly. RP2 starts on 1 January 2015.

During the second half of 2014, we will also run a process to fulfil the domestic obligations under the Transport Act 2000 in relation to the modification of NATS Licence, ahead of the start of RP2. This will include consultation on formal changes to the NATS licence and will conclude with our formal decision for NATS price control for RP2 in December 2014. Both of these steps are contingent on Commission approval of the UK-Ireland Performance Plan.

## Opportunities to engage

Along with the IAA NSA, we will formally consult with stakeholders on the draft Performance Plan from February 2014. Whilst the exact start date has not yet been fixed, we expect consultation to run for eight weeks following the publication of the draft Plan and to include a stakeholder meeting half way through.

## Contact

For any queries relating to this **In Focus** and the RP2 process and performance plan, please contact the CAA at: [sesperformance@caa.co.uk](mailto:sesperformance@caa.co.uk)