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**PCS response to CAA Consultation - Guidance for NERL in preparing its business plan for Reference Period 3: consultation document**

## **1. Introduction**

- 1.1. 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 1,540 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. Our members' jobs range from administrative roles to airport security and management, air traffic assistants, as well as working in border security and customs at Gatwick and Heathrow.
- 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 respond to selected consultation questions
- 1.5. This response is on behalf of the PCS trade union.

## **2. General overview**

- 2.1. It has been acknowledged there are many risk factors that may have an impact on NERL, both for the remainder of RP2 and going forward into RP3. These include, but are not limited to, Brexit, drones, digital tower operations, traffic forecasts vs actual traffic and the risk of continued political volatility around the world. PCS therefore welcome the statement that the "CAA's approach has a degree of flexibility", especially as we feel that the RP2 settlement was overly restrictive.

- 2.2. We welcome the view that NERL should have ownership and be able to justify business planning assumptions, as it is PCS' view that the detailed assumptions and targets set by the CAA previously were again overly restrictive.
- 2.3. In general terms, as a trade union representing members in the ATSA, T&S and MSG grades, our key concerns in the following comments relate primarily to:
- Staff, their pay, terms and conditions, pensions, job security, and treatment in the context of a rapidly evolving industry. We would like to see greater recognition of the huge contribution of staff to the success of UK ATM, and more consideration of the role of staff in future developments.
  - Stability of NATS as technology advances rapidly and changes the nature of the industry, and its continuing role as the provider of air traffic services to the public.
  - Extending the remit of NATS, such that dependence on income from traffic volume does not unnecessarily constrain its ability to address the issue of safety as traffic growth continues and the huge public concern with environmental issues in all forms.

### **Answers to selected consultation questions**

#### **3. Q1. Do stakeholders consider that a two-track approach to NERL's business plan is reasonable?**

- 3.1. PCS welcomes the two track approach as it would appear to be less constraining and more flexible than the RP2 approach.

#### **4. Q2. Do stakeholder have views on the allocation of activities and outputs between the core and wider categories for NERL's business plan?**

- 4.1. PCS feels that greater consideration needs to be given to the impact on staff of decisions relating to the core and wider plans. In particular, the deployment of new technologies and the advent of drones, offer new development opportunities for the industry that could be detrimental to the staff if seen purely in cost-efficiency terms, but could also produce new skilled work in ensuring safety and minimising environmental impact to which staff could be deployed, thus providing a service enhanced in all respects. Serious consideration needs to be given to how the skills of staff can be used in a greater coordination and delivery role under a future technological scenario to the benefit of all participants.
- 4.2. PCS questions the stringent commitment to delivering LAMP2 during RP3, this needs more careful investigation and consideration to ensure the quality of service under a high traffic growth scenario is maintained.

#### **5. Q3. Are there any further views from stakeholders on extending the scope of the incentives on NERL to put greater emphasis on resilience and noise?**

- 5.1. PCS believes that caution should be exercised when setting targets around delay performance. The principle of making a delay target more challenging just because the company outperformed the target for the previous reference period will ultimately become impossible to achieve. There is an inherent amount of delay associated with any ATM operation and making the targets too challenging may start to give rise to undesired behaviours.
- 5.2. PCS welcomes the introduction of specific targets relating to safety and environmental impacts. However, the CAA should be wary in how it sets incentives and penalties around targets

relating to capacity, resilience and environmental issues as some of these may be impossible to achieve due to factors outside of NERL's control (c.f. the Transition Altitude implementation target initially set during RP2).

- 5.3. PCS agrees that the issue of resilience needs to be tackled. Noise however could be a challenge due to factors outside of NERL's control such as runway in use direction, types of aircraft being operated etc. We do, however, support the overall view that NATS should contribute whatever activities lie within its means to support positive developments in this regards.
- 5.4. To the extent that such targets are appropriate within NATS' existing remit, these should be realistic but challenging, and should generate behaviour that encourages thinking outside the frame of the 'enable growth while protecting safety/sustaining the environment' paradigm that defines safety and environment as barriers to be overcome. Instead these should in themselves become positive markers of a successful NATS.
- 5.5. It is with these complexities in mind that PCS policy is to call for NATS to be brought back into the public sphere. Regardless of how well NATS performs in any given period, there are limits and constraints on its actions arising from the explicit link between economic fortunes and the volume of traffic handled which exerts an undue influence on behaviour. Free from the overriding influence of the profit motive, NATS could be more proactive in the pursuit of social benefits from improvements in safety, resilience, noise, air quality and other issues of concern to the public than under an incentivisation scheme.
- 5.6. Leaving that question aside, PCS questions whether the Regulatory Asset Base (RAB) model for economic regulation of NERL is still an appropriate one as the company is moving away from being an infrastructure business to a service business. PCS asks that serious consideration is given to finding a more appropriate regulatory model for the business.

## **6. Q9. Is the draft guidance set out above on pensions reasonable and can it be improved?**

- 6.1. PCS recognises the need to manage pension funds responsibly and sustainably. However, we are concerned at the language used in the pensions section, as it suggests that the only interested parties in the issue of pensions are NATS and its customers. There is no mention of the staff whose hard work and contributions the pension scheme is intended to recognise.
- 6.2. PCS strongly supports continuation of the pass-through arrangements for pensions. We believe that, even in a time of pensions deficit, the costs involved to the airlines on a passenger-by-passenger basis remain within the bounds of reasonableness, and reflect accurately the value that NATS ATM services, and the staff involved, provide to the travelling public.
- 6.3. In expressing this view, PCS is dismayed at the manner in which pensions are viewed as an inconvenience. When the consultation document states that NATS "has behaved and is continuing to behave in a manner consistent with a commercially minded company by taking all steps available to it within its legal discretion which are in the interests of users to manage and mitigate the pension cost burden on airspace users" this entirely neglects the potential impact of those steps on the staff who put NATS in such a strong commercial position in the first place.
- 6.4. We would take a similar view on the comment that NATS "has recently offered remuneration uplifts to employees in exchange for their foregoing rights to future pensionable service – an outcome which might be advantageous to both parties" ('both parties' meaning NATS and its customers, NOT the staff who have earned those pensions).

6.5. PCS would like to see the encouragement for NATS to be fiscally responsible in the handling of the pension scheme, perfectly reasonable in itself, augmented by a consideration of providing long-serving staff with the benefits they have worked as thanks for their contribution to making NATS the high-quality and successful organisation it is. As the situation currently stands, staff expecting a pension is too often, including here, portrayed as an inconvenience for airspace users, when in fact it is a reward for a job well done and from which all have benefited.

**7. Q12. What steps should NERL take to reflect the views of wider stakeholders, such as passengers and overflown communities, in the development of its business plan?**

7.1. In looking for NERL to provide a leading role in respect of modernising the UK airspace architecture recognition should also be given to the fact that the CAA, the DfT and the Government also play a key part in this process and will need to take a more robust stance in ensuring that any changes that NERL proposes are supported by strategic leadership, effective decision making and appropriate, timely legislation from these parties. The cost to NERL of providing this enhanced role should also be considered.

7.2. An example of the more careful consideration required would be the U.K.—Irish FAB. This was based on a geographical convenience, but has delivered little in the way of tangible benefits to customers, whether passengers, ATM providers or the ATM network as a whole. Resource could have been more reasonably deployed on other collaborative projects that could have made a material difference to all of the above, such as closer cooperation with the French, Belgians and Dutch. The CAA can have an influence on such issues and should be strongly urged to do so. This may also link to the Brexit issue as it is unlikely that European wide arrangements for ATM will alter significantly after Brexit (performance scheme aside).

7.3. Clearly there is already an extensive consultation process that takes place for example, planned airspace changes. PCS is acutely aware of the full range of negative environmental impacts of aviation and has expressed these in consultations regarding the Heathrow third runway. Similarly, we would like to see NATS push back on the desire of airlines to cram ever more aircraft into the airspace using both safety and environmental arguments, supported by its own, impartial analysis of the pros and cons of such changes. That it is constrained in this respect is because of the link between income and traffic volume, a dilemma which, as per question 3, PCS feels public ownership could resolve. Until that happens, wider stakeholders remain a 'problem' to be managed rather than a public whose interests NATS should serve.

**8. Q14. What topics should the customer consultation programme address and what improvements can be made compared to the process for RP2?**

8.1. 8.1 Addressing the following topics would in itself improve the process from that carried out for RP2:

8.2. Staffing - what plans will NATS produce to ensure there is enough operational staff and non-operational support to provide a service that addresses all three issues of safety, service and environment? How can we be confident that, learning from the experience of RP2, the staff numbers will be there for NATS to fully discharge its obligations given the constant calls for efficiencies from profiteering airlines?

8.3. Workers - PCS would like to see far more consideration given to the skilled workforce employed by NATS rather than viewing it as an expensive overhead. It is the skill and dedication of the staff that is primarily responsible for NSTS success and reputation; this needs to be reflected in future pay awards and in maintaining terms and conditions. The excesses of managers who seek

to casualise the workforce to achieve short term efficiencies needs to be curbed as such developments would not be in anyone's best interests, including NATS in the longer term.

- 8.4. Technology - we would like to see a clearer vision of how technology will underpin the business in the future, and a plan for redeploying the workforce into jobs that will help progress the key issues of safety and environmental impact. Technology is not just a way of cutting staff and therefore costs, there should be a far greater emphasis on utilising displaced staff in other areas, including those not currently considered core, but which are of clear importance to the general public.
  - 8.5. Climate change - how can NATS actively work to reduce the amount of carbon emissions produced by aviation in the face of continual traffic growth? What scope for action can NATS innovate beyond tinkering with track mileage distances?
  - 8.6. Air quality - what funds and practical support can NATS provide towards the research and development of solutions to the appalling issue of air quality around large airports, currently contributing to the 40,000+ premature deaths per year in the U.K. linked to air quality.
  - 8.7. Safety - can NATS rise to the challenge of seeking to constrain traffic growth where it is sensible to do so rather than seeking to accommodate it because economic fortunes depend on it? Recognising NATS excellent safety record, what safety arguments can legitimately be deployed by NATS to keep aviation growth within safe limits?
- 9. Q16 What views do stakeholders have on the proposed CAA consultancy activities as discussed above and set out in Appendix D – in particular the nature of the proposed studies, their objectives, scope and deliverables?**
- 9.1. With regard to the staff opex review, PCS welcomed the statement in Chapter 6 (En Route Cost Efficiency UK) of the Draft UK-Ireland RP2 Performance Plan – Consultation document where it was stated around pay (Point 6.25) that “This does not mean that the CAA is proposing to impose any cap on pay either collectively or for particular types or grades of staff. The CAA believes that it is not for the regulator to micro-manage the business.” PCS expects that this approach to NERL’s reward package will continue, recognising the contribution of staff to the company’s excellent performance/financial success during RP2.
  - 9.2. The use of salary benchmarking has always been a difficult area for such a highly specialised business and needs to be approached with a high degree of caution. Staff need to feel that any bench-marking activity has direct relevance to their jobs, and that any conclusions reached are valid, impartial and just.

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