

# **CANSO EUROPEAN POSITION PAPER**

**ON**

**THE**

**HIGH LEVEL GROUP REPORT**

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## **CANSO position on the High Level Group report**

CANSO welcomes the recommendations submitted to EU Vice-President Jacques Barrot by the High Level Group (HLG) on the Future of the European Aviation Regulatory Framework.

Air Navigation Service Providers (ANSPs) are committed to the Single European Sky that has created the basis for a restructuring of the sector and has contributed to a cultural change. ANSPs need a stable legal framework to implement these structural changes. CANSO welcomes therefore the HLG's recognition that the challenge for European aviation is not to embark on new major changes, but to focus on accelerating the effective delivery of the existing Single European Sky initiative.

### **ANSPs support the HLG recommendation to accelerate the delivery of SES**

The HLG report has suggested accelerating the delivery of SES through a pro-active management of the current developments. The proposal of an implementation strategy and plan is strongly supported. It could include measures that are already possible in the present framework but that have not been really put into practice today, such as: promoting exchange of views between States, putting into place the peer review, agreeing on annual reports, performance indicators, convergence criteria...

CANSO would like to comment on several recommendations in the High Level Group report.

### **1. FABs**

#### **1.1 ANSPs support the promotion of quick-wins**

The promotion of realistic quick wins should be encouraged so that political decision-makers and customers/users see the impact of the ongoing work.

Too often ANSPs face a lack of understanding of the complexity of FAB developments and this creates different expectations (that are sometimes not realistic) on the possible outcomes especially in the short term. FABs are not only about cost-effectiveness. They involve a complex restructuring that has an impact on technical systems, changes in procedures and training of staff, impact on human resources, legal and institutional important adaptations, such as international agreement, governance of ANSPs, etc.

#### **1.2 ANSPs support the important role of member states as highlighted**

FAB implementation needs cooperation between states and ANSPs at a regional level. It is important that they share common objectives and develop a common vision agreed at a sufficiently high political level.

All suggestions for cooperation between member states are highly supported. ANSPs need consistent guidelines and homogeneous interpretation from the various states in the FAB project.

### **1.3 The European Commission should take initiatives to address the hurdles:**

The institutional and legal hurdles are well recognised in the HLG report. CANSO believes that the European Commission can play an important role in addressing them - especially issues such as the common understanding of FABs. This should be done without creating additional regulation that would hamper the flexibility needed to find the most appropriate solution in each case.

Similarly, resolution of issues related to liability and sovereignty could be pursued by developing examples of standard international agreements.

ANSPs strongly support any initiative at European Commission level that will promote civil/military cooperation or even integration. This would have a major impact on the efficiency of the Single European Sky.

### **1.4 The proposal of an Aviation System Coordinator is supported provided that the support of Eurocontrol is limited to purely technical advice.**

The High Level Group has proposed that an Aviation System Coordinator contributes to the progress of FABs and addresses the bottlenecks. CANSO considers that this Coordinator should be an independent person. The High Level Group has proposed that this person would be supported by Eurocontrol. CANSO fully recognizes the technical expertise of Eurocontrol services but also draws the attention of the political decision-makers of a potential conflict of interest, since Eurocontrol is directly involved in various FABs.

## **2. Performance – incentives – economic regulation**

### **2.1. Performance is about safety, capacity, cost-effectiveness, flight-efficiency, and environment, in a total stakeholder approach.**

The High Level Group report acknowledges well the different performance indicators but puts the focus mainly on the economical performance, such as recommendation 3.4. ANSPs have a key responsibility to manage airspace on behalf of States in respect of different objectives set by the shareholders/state authorities. Therefore performance is about trade-offs and balances between various objectives.

Performance is also managed in a total stakeholder approach, since airspace users and airports play an important role, as shown in the SESAR gate-to-gate performance targets. ANSPs can therefore not be exclusively made responsible for the overall performance of the system, such as for example for on-time performance, flight-efficiency or environmental performance.

### **2.2. CANSO supports a performance-based framework**

The HLG report makes the link between a performance-based framework and the governance or institutional framework. ANSPs fully share the view that to increase the

performance of the ATM network, the first step must be to improve the institutional framework. A performance-based management can be described as:

- Professional, independent and unbiased ANSP governance with clearly defined reporting lines to owners/shareholders/authorities
- Empowered management, with qualified, experienced staff, more autonomy/accountability, business-like management processes and a stimulating performance system (not based on penalties but positive incentives).
- Customer relations with a mature, transparent relationship and shared goals and objectives, preferably by self regulation, rather than new regulation
- A performance reporting system with agreed methodologies for the indicators and harmonized data collection

### **2.3. The HLG report proposes an increased role for the airspace users – ANSPs support an appropriate consultation process but target setting should remain with the owners/shareholders/state authorities**

The HLG report recommends greater involvement of the airlines in the governance of the ANSPs and on more customer-oriented charging (part 3.5.2).

ANSPs fully support an appropriate consultation process with airlines and other users. They require the political decision-makers to define clear reporting lines and target setting processes. After the consultation process, the target-setting should be done by owners/shareholders/state authorities who decide on the right balance between safety, capacity, cost-effectiveness, flight efficiency and the environment.

Airspace users should not have a formal role in the governance of ANSPs, since they are not accountable for the results. ANSPs cannot be governed by only a few of stakeholders.

As long as clear reporting lines and target setting processes are established, ANSPs are fully open to discuss any proposal for improved consultation processes as well as other ways of discussing a more performance-based system.

### **2.4. The HLG proposes a customer-oriented charging scheme**

CANSO expects that the present cost-recovery system will be replaced at some time by a system that includes financial practices in line with normal business practices and performance-related risks and rewards.

CANSO looks forward to a challenging discussion that should reach a consensus on a more performance-based system.

### **2.5. The HLG proposes economic regulation for monopoly services**

CANSO considers that the rules/principles/framework should be set at a European level, but that ultimately the target setting is done at national or regional (FAB) level, based on the following principles:

- Independent economic oversight
- Price control is set on the basis of traffic volumes, complexity, operating costs, investment/capital costs, depreciation and a return on assets consistent with the business risk
- Operating costs are set at a challenging but achievable level, which requires productivity gains and is supported by benchmarking

## **2.6. The HLG suggests that several air navigation services could be open to competition in the future**

CANSO considers that in the long term there will be more competition in the market for activities such as communications, navigation, surveillance, aeronautical information services, training...

Competition is possible today in the legal framework, but competition is still at a very low level as a result of the current fragmentation and interrelation between the various activities.

Unbundling of services has to be considered carefully in respect with de-fragmentation objectives and performance targets.

## **3. Eurocontrol**

### **3.1. CANSO supports the suggestion of the High Level Group to define the functions in Eurocontrol into 4 categories:**

- Support to regulation (ANSPs consulted)
- Cooperative network design (ANSPs should have a major role in governance/decision-making)
- Pan European functions (ANSPs should have a major role in governance/decision-making )
- Regional ATS provision (separate from Eurocontrol, to be run by ANSPs)

### **3.2. The suggestion of the HLG to increase industry responsibility for pan-European functions is supported. However CANSO considers that same should be applied for cooperative network design activities.**

CANSO supports the increased role proposed by the HLG for the ANS Board, based on delegated decision-making powers by the Provisional Council.

CANSO looks forward to work constructively in the revision of the present terms of reference of the ANS Board (composition, scope, decision-making process, etc).

CANSO however sees no justification for not including the cooperative network design functions in this process. These functions include technical programmes and procedures, harmonization projects, strategic developments that are mainly for the use of the ANSPs.

### **3.3. The HLG proposes further separation and unbundling of selected functions in Eurocontrol**

CANSO supports this proposal. CANSO considers that in the long term the principle of separation between regulation and service provision requires:

- That these activities are institutionally separated from regulatory activities. This is proposed by the HLG through “corporate structures or joint undertakings”.
- That support to service provision activities are fully steered and managed by industry. This can be done through industry governance of these corporate structures or joint undertakings.
- That States should no longer be accountable for these activities and therefore should not be involved in the management and governance of these activities

This requires of course further financial, legal studies on impact, ownership and governance.

## **4. CANSO supports the proposals to improve safety**

ANSPs have always considered safety as their highest priority. It is a pre-requisite for a sustainable and competitive air transport industry.

The level of aviation safety is good in Europe but overall safety can be improved by:

- Facilitate the uniform adoption of just culture and enshrine it in European law.
- Mandate a safety monitoring and reporting system based on best practice
- Bring all safety regulation for aviation under the EASA umbrella
- Reinforce oversight capabilities of national administrations.

These different proposals will improve the level playing field.

A condition for the extension of EASA competences to ATM is of course that duplication must be avoided and that adequate resources and funding should be available. The functions of EASA and National Regulators need to be clearly and unambiguously described with the formation whenever possible of multi-national Agencies aligned with FABs or of sufficient “critical mass” to ensure they have real competence and do not operate at purely an administrative level.

## **5. CANSO suggests a global approach for environmental issues**

The High Level Group suggests including the environmental dimension in the second package of SES Regulations. CANSO would like to draw the attention on the fact that environment is a global issue. CANSO fully supports the ICAO work in this domain as well as ECAC positions.

ANSPs support a strong environmental push with targets but do not agree that ATM always has the greatest potential in the near term to reduce aviation’s environmental impact. ANSPs together with airlines and airports should take collective responsibility. It

must be understood that routings and flight level allocations are not an “inefficiency” of the ATM process which can be corrected. They are fundamental to delivering safety and capacity.

An action for the EC is in communication and putting the record straight in terms of aviation’s real as opposed public perception of the contribution to climate change.

## 6. Conclusion

ANSPs see the initial SES framework as a major development that will restructure the ATM industry. They are actively supporting implementation. The High Level Group report has rightly focused on different proposals to accelerate implementation.

On the regulatory and institutional side the High Level Group report has raised good points. The challenge will be to put into implementation the extension of EASA as the future regulatory Agency for all aviation sectors and to adapt Eurocontrol following the principles of separation and empowerment of industry in the support to service provision activities.

CANSO representing the air navigation service providers is ready to work with the European Commission, the European Parliament and Eurocontrol’s Provisional Council to translate the HLG recommendations into a solid strategy, vision and implementation plan for the benefit of all European aviation.

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