

NATS RESPONSE TO THE STUDY BY REGULATORY POLICY INSTITUTE ON THE IMPLEMENTATION RULES OF ECONOMIC REGULATION WITHIN THE FRAMEWORK OF THE IMPLEMENTATION OF THE SINGLE EUROPEAN SKY

Section 1 - Introduction

We fully support the study's approach to examining and assessing potential charging mechanisms, as in section 1.2 of the report.

Section 2 – Review of Restructuring Issues

[p.11] We agree that further work is needed on the effect that changing the charging structure might have on both users and ANSPs. However, we are concerned that the current charging structure seems to entail cross-subsidy between overflying and landing/ascending traffic. As emphasised on page 14 of the report, where there is a high proportion of landing/ascending traffic the airspace is likely to be more complex and the workload and associated costs higher.

Section 3 – Review of the Theory & Practice of Price Regulation

We support the analysis set out in this section on the review of the theory and practice of price regulation.

Section 4 – Contractualisation & Service Provision Arrangements

[p.49] We recognise the concerns of users regarding the adequacy of the Enlarged Committee but consider that some of the criticisms are unfair. We also feel that the comments by the PRC were not helpful in this respect. Under the current multilateral agreement decisions have to be made on a consensus basis. Whilst this might not be the most effective approach it is the only one available at present. In addition, the right for states publicly to challenge each other's cost base may appear attractive but for a number of reasons would be difficult to operate in practice. Nevertheless, member states and the CRCO are looking at ways of improving the review process and have set up a task force to put forward proposals. We do not accept the PRC criticism that states being represented by ANSPs is necessarily a conflict of interest since the charging system exists in the main to serve ANSPs.

Regarding bilateral consultations, the original demand for these arose from users and not from ANSPs. NATS already provides the performance and investment information referred to in the PRC text quoted at the foot of page 50.

Table 4.1 – NATS recognises and supports the ideas in this table.

With respect to contractualisation, we would broadly agree the idea of more contractual relationships but what is underplayed in the report is the nature of those contracts. If users want contracts covering delay and capacity then

these will need to be two-way, in the sense of placing reciprocal obligations on airspace users for demand levels, notification, behaviours, etc.

The separation of CNS costs needs further discussion. NATS fully supports information disclosure. However, the breakdown into further categories (e.g. separation of CNS costs) needs further discussion to ensure it is realistic and reflects operational service realities; we are not convinced that the current categorisation of costs achieves this.

NATS does not support the proposal that users should be more than observers at the Enlarged Committee. The route charges system is in effect an out-sourced service covering billing and collection of charges for ANSPs and member states. Therefore it is part of the management process of these organisations and it is a different issue from involving users in the makeup of costs and services provided - the Enlarged Committee is an inappropriate forum for discussing service and investment plans with users.

Section 5 – ATM Co-ordination & Infrastructure Management

We support the statements made about the importance of network management. With specific regard to the proposal for a European Network Manager, the key area of debate is likely to be the boundaries of such a role v. individual ANSPs (and the extent of such boundaries might vary according to the degree of consolidation of ANSPs).

We strongly support the observations made in 4.8.2. With respect to safety, it is most important that economic regulation does not introduce any incentives that bear adversely on safety. This implies that safety performance monitoring needs to be of a better standard than at present before too many changes are made; otherwise it will be difficult to monitor any effects.

The need for/powers of a European infrastructure manager should be closely related to the expected model of the ANSP industry. However, we agree that the creation of a European Infrastructure fund would be inefficient. Therefore there is a need for further review and debate before any finite steps are taken.

Section 6 – Risk Sharing & Benefit Sharing in ATM

We note the analysis in this section and consider that further work on this is warranted. NATS will be discussing these issues with customers and the regulator during the next 5-year review.

Section 7 – The Structure of Route Charges: General Principles and Some Generic Issues

We agree with the observations made in 7.2.1.

Whilst we note the ICAO principle that charges should not be such as to give rise to scarcity rents, there is also the danger that if charges are too low, the only alternative is administrative rationing, which is not economically efficient.

The points raised in 7.4.1 are interesting and worth debating with other ANSPs, states and the CRCO. We consider that distance is not necessarily a good indicator of ANSP costs and in particular does not take into account issues such as complexity and traffic density.

We note with interest the comments on the use of the Most Frequently Used Route. It is our understanding that pressure to move away from this system came initially from user organisations and not from ANSPs.

7.4 – we're not convinced by the 'pancaking' argument put forward concerning a two-part tariff. If a user flies through more than one state it will still incur a fixed cost for each state over-flown – this needs to be debated further.

7.4.2 – The ideas on congestion charging are interesting and we would like to see them developed and debated further.

Section 8 – Alternative Options for ATM Charging Structures

There is an issue to be addressed in terms of how different options accommodate privatised airports and commercial airport ANS contracts (as in the UK).

[8.3.8] We support the need for gradual change – it's probably better for the industry to learn as it progresses rather than seeking 'big bang' solutions.

The origin-destination charging proposals are interesting and we would support further discussion on them.

We remain concerned over the inherent level of cross-subsidy for upper v lower airspace in the current route charging system. However, we can see the merits of a reformed terminal area charging system with the possibility of separating upper and lower airspace charges as a supplement.

Finally, we are interested in the report's comments on the possibility of full harmonisation of en-route charges over a wide European area. We see this as likely to be more feasible if operated in conjunction with a reformed terminal area charging structure.