



7 January 2014

RESPONSE TO CAA APPROACH TO TANS REGULATION IN RP2

Introduction

Prospect and PCS are independent trade unions representing staff in NATS - Prospect represents 3,000 NATS employees working as controllers, systems engineers, scientists and specialists. PCS represents 1,000 NATS operational, managerial and support staff.

As professional staff representative bodies and key stakeholders, we welcome the opportunity to comment on the CAA's approach to terminal air navigation service (TANS) regulation in RP2.

Our members consistently work hard to deliver an outstanding level of safety and service delivery that includes the busiest dual and single runway airports in the world.

This is only made possible by a motivated and respected workforce, properly recognised for their high level of expert skill, and with the appropriate level of engagement with employers.

The consultation document makes reference to the decision by Birmingham Airport to take service provision 'in house' and we would wish to draw attention to the fact that both Prospect and PCS have signed a recognition agreement with Birmingham Airport to continue to represent members providing ATS there. Prospect also represents other ATCOs in airports where the service provision is not provided by NATS.

Although we accept that the UK has been unable to declare that TANS services operate in a contestable market, it is our view that for all intents and purposes a contestable market exists. In our response to CAP 1004 in April we noted some of the CAA conclusions with concern but we support its view that regulatory interventions risk frustrating the achievement of a competitive market. Our preference is for the CAA to work with NATS to improve market conditions and bring about greater transparency where this is perceived to be hindering development of a mature market.

We therefore agree with the CAA approach as summarised in 2.3 of the consultation document that the scheme should be applied in a proportionate manner and not cut across current contracts.

We also agree with the CAA's approach to set a charging level zone target based on the rationale described in 2.11 and 2.14. However we would caution that the target is set in such a way to allow some increase in contract price if additional services are taken within the contract, or the market dictates that the price for service provision increases for whatever reason. Whilst moving towards a competitive and contestable market it must be recognised that the market rate will be what it is, and that a trend of cost reduction should not necessarily be assumed.

Approach to Cost Efficiency

Broadly speaking we agree with the approach to satisfying the requirements for the cost – efficiency KPI. We welcome the approach to include only relevant information at charging zone level, and that the CAA recognises that too much information could result in inappropriate contracts being awarded which focus on the wrong areas, which may not be compatible with the provision of a safety critical service.

We are concerned that it is assumed that cost savings should be delivered during airport contract negotiations. Whilst this is undoubtedly a desire of airports there should be a recognition that social issues need to be appropriately addressed and we will not accept a reduction in terms and conditions for our members simply set against a backdrop of cost savings. We will vigorously oppose attempts to protect the NSL profit margin if this is secured through a reduction in our members’ terms and conditions.

In our view increased competition is likely in the future, with more providers seeking to provide a service from a relatively limited talent pool of specialised professionals. Against a backdrop of more providers competing for specialised skills, it could be argued staff mobility will increase leading to labour market pressures and the need for providers to offer enhanced terms in order to attract staff. When setting the charging zone level cost efficiency KPI we would ask the CAA to be mindful of this potential.

Approach to Capacity

With the exception of Heathrow we are of the opinion that due to the downturn in traffic since 2007 there is spare capacity at the relevant airports, perhaps with exception of peak hours. In our view, it is unfair to hold ATS providers responsible for any capacity delays apart from equipment or staffing provision for which they are directly responsible. Our members are only able to work within the infrastructure they have been given, and it is the responsibility of the airport operator and government to allow the necessary infrastructure improvements and to work with customers on scheduling in order to alleviate any capacity bottlenecks. Whilst our members’ considerable expertise can be utilised to provide capacity enhancements in small areas that are within their gift (i.e. Time based separation, Airport Collaborative Decision Making etc.) there is a finite limit to how much improvement this will deliver, and ultimately brave decisions on infrastructure upgrades need to be taken, rather than indecision.

NSL Business Plan

The Business plan makes several assumptions (Section 4.4) concerning the reduction of headcount by the use of technology. Whilst we accept that technological improvements are inevitable, and indeed may well enhance the service to customers, to make broad assumptions for a business plan requires the full engagement of the workforce and representatives. Full engagement with the workforce and representatives on the potential impact of technological change will be necessary in order to realise any benefits in terms of enhanced productivity. Again, to re-iterate we will not accept reductions in terms and conditions to protect profit.

As highlighted in the Business Plan and the Capita study the different portfolio of airports and the difference in operational techniques required does not necessarily lend itself to a ‘one size fits all’ systemisation approach. The techniques and procedures at Heathrow are unlikely to be the same as required at Glasgow. Whilst best practice should indeed be shared, our members

consistently tell us that NSL's drive for 'harmonising and optimising *all* aspects of the ATC system', does not lead to an enhancement in service.

We understand that to facilitate the transfer of ATS provider the sharing of certain information would be required and the trade union have experience of such transition arrangements following the decision of Birmingham Airport to move to a 'self supply' basis and have been constructively engaging with the new provider. Some of the assumptions in the NATS Business plan to support transition we expect to be the subject of further discussion between NATS and the trade unions.

In the case of Birmingham we are supporting NSL and Birmingham to develop plans to effectively support transition. A variety of measures are in the process of being agreed in relation to both staff covered by Trust of a Promise(TOAP) and those not covered by TOAP. We have also reached agreement on pension provision for staff transferring to Birmingham which demonstrates that the NSL pension provision is not an absolute barrier to competition and that there are ways of negotiating an attractive employment package for NSL staff transferring to another provider.

With respect to Plan risks we would highlight that our members have made significant concessions in the best interest of NATS as a whole on issue of pension liabilities. We have understood and been cognisant of the problem, and recognise that a viable and healthy NATS will result in securing appropriate pension provision for our members.

We are generally in agreement with NATS' approach to meeting cost efficiency targets with respect to the calculation of DUC (section 5.4). In terms of demonstrating cost efficiency and as demonstrated in the benchmarking report (through the cost per IFR flight measure) better value for money will be achieved through an increase in traffic. The exception is of course Heathrow and it is our view that as this is such a specialist operation, this carries a premium. It is poor infrastructure decision making which constrains improvement, and this is not within our members' gift, and nor should their terms and conditions be decremented due to it.



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