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*9<sup>TH</sup> FLORENCE AIR FORUM SUMMARY*

**“THE SINGLE EUROPEAN SKY PERFORMANCE SCHEME”**

*A SUMMARY OF THE PRESENTATIONS*

Florence, 15<sup>th</sup> May 2017

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Nadia Bert, David Kupfer, Kathryn Bouchard**

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Forum Summary Document

## ■ PROGRAMME

- 08.30 - 09.00      **Introduction to the Forum**  
**Matthias Finger** | FSR-Transport, EUI / Chair MIR, EPFL  
**Maurizio Castelletti** | European Commission, DG MOVE
- 09.00 - 10.45      **Principles of economic regulation: what can we learn from the theory?  
What can we learn from other sectors?**  
**Matthias Finger** | FSR-Transport, EUI / Chair MIR, EPFL  
**Stef Proost** | KU Leuven  
**Cathal Guiomard** | Dublin City University  
Round Table Discussion
- 10.45 - 11.00      *Coffee break*
- 11.00 - 12.45      **The Performance Scheme: can it be improved?**  
**Joe Sultana** | Eurocontrol  
**Francis Schubert** | Skyguide  
**Choorah Singh** | Ryanair  
Round Table Discussion
- 12.45 - 13.45      *Lunch break*
- 13.45 - 15.30      **The Charging Scheme: how to incentivise efficiency?**  
**Anna Zalewska** | European Commission, DG MOVE  
**Marita Lintener** | Deutsche Lufthansa  
Round Table Discussion
- 15.30 - 15.45      *Coffee break*
- 15.45 - 16.45      **Setting the targets for RP3: how can we make the process simpler?**  
**Rolf Tuchhardt** | European Commission, DG MOVE  
**Alexander Hanslik** | Austro Control  
**Nikolaus Herrmann** | Bundesaufsichtsamt für Flugsicherung  
Round Table Discussion
- 16.45 - 17.00      **Conclusion**  
**Matthias Finger** | FSR-Transport, EUI / Chair MIR, EPFL

The present document summarises the content of the presentations delivered during the [9<sup>th</sup> Florence Air Forum](#), and the following paragraphs offer short summaries of each presentation, illustrating the main points made and matters treated. The thoughts and opinions reported do not necessarily reflect the views of the contributors, as they have been collected by the authors of this summary.

To open the presentations, go to [florence-school.eu](http://florence-school.eu), choose “transport” from the top menu bar and select “Forums” among the “activities”. Clicking on the title of the Forum will take you to the relevant page. Alternatively, by clicking on a presentation’s icon you may activate an internet link taking you to the full presentation, when available. Presentations are hosted on the FSR website by permission of the authors.



## Introduction to the 9<sup>th</sup> Florence Air Forum

Prof Matthias Finger

Director of FSR-Transport and of the Chair of Management of Network Industries (MIR),  
École Polytechnique Fédérale Lausanne (EPFL)

Professor Matthias Finger welcomed the participants to the Florence Air Forum, before introducing the day’s program. The context of the session was the history of the Single European Sky and its four pillar approach, with a focus on performance. A report in 2006 by the Performance Review Commission suggested the introduction of a performance scheme which was eventually included in the SES2 package of 2009. At the time it was decided that the Single European Sky needed to be accelerated, and the idea of defragmentation of the European Air Traffic Management (ATM) system needed to move forward. However, there is decidedly gridlock of the Single European Sky process. The performance scheme is working, but still performance itself needs improvement.

Now begins preparation of Reference Period 3 (RP3), which will cover the EU member states plus Norway and Switzerland. To prepare for RP3, Professor Finger suggested a systematic discussion on targets, incentives, and the process of target setting. As always, the day was structured into four sessions. First participants looked at some academic theory, with a look at economic theory and reference to other sectors. Following would be sessions on the performance scheme, incentives and efficiency, and finally the process of setting targets.

As usual at the Florence Forums, discussions during the day follow four guiding questions, with the particularly interesting cross-modal reference to the air transport performance scheme.

The four questions for the day are:

- Principles of economic regulation: what can we learn from the theory? What can we learn from other sectors?
- The SES Performance Scheme: can it be improved?
- The Charging Scheme: how to incentivize efficiency?
- Setting targets for RP3: how can we make the process simpler?

**What can we learn from theory?**  
**What can we learn from other sectors?**

Prof Matthias Finger

Director of FSR-Transport and of the Chair of Management of Network Industries (MIR), École Polytechnique Fédérale Lausanne (EPFL)

Professor Finger introduced the theory of regulatory economics, which seeks to isolate monopolies and then tries to incentivize them to behave efficiently. There is a menu of regulatory tools available that serve as means to that end. Infrastructures are complex and dynamic socio-technical systems; therefore regulation of monopolies must be embedded into the regulation and governance of the entire system. In such systems, efficiency is generally not the only performance objective and there are therefore trade-offs to be made, since not all objectives can be perfectly aligned. Recently, infrastructures have become more dynamic than ever before so that now they require a governance approach to regulation.

Among the regulatory tools available are rate of return (RoR) which allows for remuneration on the basis of real costs, price-cap which caps maximum remuneration, performance based regulation (PBR), a menu of contracts which are various objectives with various forms of incentives and yardstick regulation which is remuneration relative to the achievement of objectives as well as the achievement of the competitors' objectives.

Remuneration regulation only makes sense when operators can influence their own activities or results. In the absence of such a relationship, cost plus remuneration is preferable. In general, incentives matter, and the more complex the regulatory tool chosen, the more room there is for gaming opportunities.

Multiple performance objectives such as economic performance, social performance, operational performance, technical performance and environmental performance should all be considered across the infrastructure. However, the key is to keep regulation simple. The relevant actors in the single European airspace need to be consulted and need to be part of the process of developing the best possible regulatory framework.

## Opening Remarks

Mr Maurizio Castelletti

Head of Unit, Single European Sky

European Commission, DG Move

Mr. Castelletti welcomed the participants to the Air Forum and noted the importance of performance in the Single European Sky (SES). Performance is the focus of all the Commission's activities when it comes to air traffic management. In 2009 performance indicators were translated into a binding scheme that, beginning in 2012, set a process to define and improve aviation performance. The justification for the scheme was firstly focused on congestion and delay. But over time due to the monopolistic conditions on the industry, it was necessary to introduce some kind of regulation to make sure the services provided are really good value for money paid by airspace users.

The second reference period began in 2015 and will last until 2019, and now the European Commission is preparing for the next period beginning in 2020. This is why the debate on the SES performance scheme is very timely. From the perspective of the Commission the scheme has been useful with tangible benefits for operators and passengers, but it can be further improved.

The Florence Air Forum should enable a very open discussion where all participants express their ideas as experts in the air transport field. The European Commission is launching a new impact assessment so now is the right time to contribute to this debate as by the end of this year a legal proposal will be published.



## Some Economics of Regulating Air Traffic Control

Stef Proost

Professor, KU, Leuven

Mr. Proost approached the Single European Sky from an academic perspective, using some preliminary results of the SESAR projects ACCHANGE and COMPAIR. He raised the question, "Can regulation work when Air Traffic Control (ATC) is governed by union-government bargaining"; and what is the potential of unbundling tower control and competition for en-route ATC in Europe.

Mr. Proost presented a regulation theory diagram that cross-checked the objectives of regulators with those of the private sector at various stages. He showed regulators' objectives, which included consumer surplus, profit, national suppliers and wages, and employment. He went on to discuss the necessary information for regulators: do they have full or incomplete information? And at what cost? As there is a lot of foreign traffic in national airspaces there is a role for the EU to step in and to force national regulators to decrease prices as prices may contain a margin earned on foreigners.

Mr. Proost reviewed a few regulation schemes: price caps could make private monopolies reduce costs, but at the same time a profit margin must be given to a private supplier because of the asymmetry in information.

However, the price-cap option may not work for a public monopoly bargaining with a union, and most ATC's are public monopolies. The assumption is that regulation is the outcome of bargaining between government and unions. Unions' objectives are to maximize a mix of higher wages and more employment using bargaining power through the threat of strikes. National governments on the other hand want to maximize national consumer surplus and to help national manufacturers

Mr. Proost described the behaviour of public monopolies in a union bargaining model. Outcomes, of course, are dependent on union bargaining power and preferences yet, in this setting, many EU policies are likely to fail (under the assumption of strong union bargaining power): standardization of equipment will be blocked as it would decrease union power, price-caps may be met with government subsidies and the adoption of new technology would only be possible as long as monopolies are preserved and reduced costs are not passed on to consumers but end up in more employment or higher wages.

Against this background Mr. Proost proposed some alternative solutions to the price-cap for the ATC sector. These are: privatization, forced unbundling, or virtual centers that would allow for competition in the market. He described how unbundling works with the example of tower control auctions that were a success in the UK. Other countries are following: Spain, Germany, Sweden

and Norway. In the research project COMPARE, they are, at present, studying auctions for en-route control.

Mr. Proost concluded his presentation by pointing out that present regulation has the benefit of gathering well-structured information but now it is time to move further. He proposed a two-step procedure for the EU. In the first step, the EU forces every country to allow airports to organize auctions for tower control. There is strong evidence that this works. In the second step, the EU announces that say in 2025, all price-caps will be abandoned and all countries have to open their markets for en-route control via auctions per area or via more advanced systems bypassing national borders.

This multi-step procedure has also been followed in other sectors like electricity, postal services, railways etc.

Economic principles:  
What can we learn from the theory?  
What can we learn from other sectors?

Cathal Guiomard  
Dublin City University Business School & Dublin Aviation Institute  
(Irish aviation regulator, 2006-14)

9th Florence Air Forum  
15 May 2017

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## Lessons in ATM from Theory and Other Sectors

Cathal Guiomard  
DCU Business School

Mr. Guiomard began his presentation by agreeing with Mr. Proost's assertion that free markets and competition are superior to increased regulation. Regulators' independence is critical, especially as large parts of the aviation industry are government owned and may seek to make political agreements on their own behalf. A crucial element of price control is that regulators have their own system of creating forecasts and do not depend on the financial departments of the regulated company. Furthermore, regulators need discretion: if regulation leaves no room for discretion by the regulators it will be easier for a regulated firm to influence these rules in their interest over time.

Mr. Guiomard looked at the banking sector as a comparison: politicians stepped back and gave power over interest rates to an independent central bank regulator. Looking at telecommunications, over time technology and therefore competition may develop and allow a switch from regulation to competition policy. Regulators need to have a clear and limited objective, otherwise they risk growing out of proportion which the sectoral regulators in the UK may be an example for. Mr. Guiomard presented some other potential issues. He stated that regulatory price controls are not insignificant. Resources are finite so it is imperative to discern where best to intervene. Mr. Guiomard reminded the group that economic policy tends to be a battle between producer and consumer interests, so when producers are well organized, well-funded, well connected and well-motivated, there is a necessity for a consumer-oriented mandate that protects consumer interests.

To conclude, Mr. Guiomard mentioned that the lessons of regulatory theory clearly show that an effective regulatory scheme is available. Most utility sectors within the European economy have been applying these basic economic principles since the 1980s. With regards to Air Traffic Management, the necessities are clear, and now it is just a matter of implementing well-thought-out policy.





## **SES Performance Scheme, Can it be Improved?**

Xavier Fron, Liaison Officer and Joe Sultana  
Director, DNM, Eurocontrol

Mr. Xavier Fron began his presentation by reiterating a general objective of the Single European Sky (SES), which is to open Air Navigation Services (ANS) to increased levels of competition. He noted that today only a small portion of the SES market is truly open to competition, a few towers and terminal areas.

Mr. Fron showed that under SES 2, in force since 2012, levels of safety had not been compromised, ANS-related delays were reduced but remained above targets due to persistent issues in a few areas, environmental targets are close to being met, and determined unit costs will have improved, down some 23% over 2009-19. However, faster and stronger improvement could be achieved. He quoted four areas where significant performance improvements could be achieved already in Reference Period (RP) 3 (2020-24) with adequate update of the SES legislation including improved demand-capacity balancing, economic regulation, fragmentation, and under-investment.

Mr. Fron highlighted that there is a lot of spare capacity and, at the same time, costly delays due to lack of capacity at other places and times. It is possible to save on both user charges (cost of spare capacity) and delays costs (cost of capacity shortage), i.e. saving a proportion of some 3 billion euro per annum. Improved demand-capacity balancing is the key to achieving these savings. This requires more flexible capacity management in time (best-practices rostering) and in space (temporary delegation of ATC to neighbouring centres, virtual centres...), network optimization, and technology where necessary.

He stated it is possible to achieve a large part of those savings already in RP3 by adapting the SES regulations to this effect, not only the Performance Scheme, but also the Network Functions, Charging and Deployment regulations, e.g. formal escalation – NM-NMB-NSA-PRB/EC – in case targets are not met, incentive schemes, etc.

The bulk of ANS remains operated under monopoly, which requires strong economic regulation. A form of price cap was adopted in SES 2 primary legislation. This is known as a high-powered form of economic regulation, with strong incentives to reduce costs as operators are allowed to retain margins over the regulation period, with some disadvantages

Mr. Fron presented the results so far, which are as expected from economic theory:

- Costs were controlled. They remained flat since 2009 and will remain so until end of RP2 (2019) under SES targets, while service units are planned to grow +31%. Unit rates will reduce accordingly, and even more as traffic will be above plans in nearly

all forecast scenarios.

- Economic surplus of ANSPs is high: 8.7% in average, all positive up to 22% in 2015.
- Significant under-investment is observed at the same time (approx. -25% since 2012).

This experience is to be taken into account in setting the legal framework and targets for RP3, e.g. relationship between traffic and costs.

A goal that was not attained is defragmentation of service provision and infrastructure. It was thought that cost pressure from performance targets would incentivize closer cooperation among ANSPs to generate and keep savings, but this did not really happen.

In conclusion, a general SES objective is to increase performance through more competition, which the SES regulations should foster. In the meantime ANS monopolies should be strongly regulated.

Performance improvement could be stronger and faster in RP3 than hitherto, e.g. through better balancing of capacity and demand, and improved economic regulation. To this effect, the SES Performance Scheme would need to be improved in conjunction with other SES regulations including at least charging, network functions, airspace and deployment.

In closing, Mr. Fron stated that EUROCONTROL is committed to assist in ensuring joined-up update and implementation of SES at European level.



## **The SES Performance Scheme**

Francis Schubert, Chief Corporate Officer,  
Skyguide

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In the absence of mandatory institutional measures for national Air Traffic Management, the Single European Sky Air Traffic Management Research (SESAR) program seems to be the instrument that still has the capabilities to affect the SES performance plan. Skyguide takes the view that the European Performance Plan is a good plan from an intellectual and policy making perspective because it does provide a framework for ANSPs to manage their own efficiencies and costs. Additionally, at the moment there is no alternative.

Mr. Schubert summarized some of the SESAR program's strengths: a retroactive assessment of performance review period 1 (RP1) and part of performance review period 2 (RP2) show that the Performance Plan has had a positive impact on Air Navigation Service (ANS) performance. Overall, the Performance Plan is based on Key Performance Areas (KPAs) and relies on risk sharing mechanisms for cost and traffic that overall had positive performance. However, Mr. Schubert also summarized some of the program's weaknesses, including the fact that the Performance Plan does not address the entire air transport value chain, and that it ignores the interdependency of KPAs and some need for trade-offs. He also noted that the Commission's approach is somewhat unrealistic.

Mr. Schubert went on to delve into some of the SESAR program's weaknesses further. He highlighted that many of the program's weaknesses are methodological inasmuch as some corrections do not properly account for inflation or realistic costs, service providers are ill defined, and the time periods allotted for assessment are too long. He also noted that there is an inherent lack of uniformity in the approaches taken by performance assessment groups, and an insufficient attention to air traffic volatility.

The presentation pointed out that cooperation is key to a coherent performance scheme. It was stated that while cooperation is verbally lauded, in reality it is not taking place to a sufficient degree, thereby causing detriment to the entire SES. Mr. Schubert focused his presentation on a prescriptive, strategic approach that would allow for shared infrastructures and a service oriented architecture generating benefits for all airspace users. This could be achieved through SESAR's ATM Master Plan and a European Performance Plan. He outlined some possible incentives to such plans, including the extension of European funding mechanisms for infrastructure redevelopment and data services acquisitions, among other things, and additional financial incentives offered to suppliers to develop Service Oriented Architecture (SOA) compliant products in general.

Concluding, Mr. Schubert repeated that in general a retroactive assessment of the SESAR master plan is positive. The plan can deliver measurable contributions to the implementation of the SES, but it must serve an explicit strategy. The strategy should follow a kind of business plan that would provide financial incentives for all stakeholders to ensure a robust and functional Single European Sky.



## **The SES Performance Scheme, Can it be Improved?**

Choorah Singh

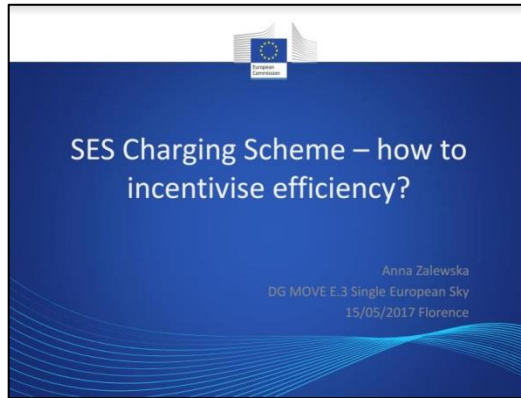
Deputy Director of Ops Control, Ryanair

Mr. Singh opened his presentation with a clear message: the Performance Scheme has plenty of room for improvement. The Scheme needs to remain simple and transparent, with a strong and independent Performance Review Body (PRB). He explained that the PRB needs to support the individual National Supervisory Authorities (NSAs). The PRB should be accountable for target setting both at the local and the European level. The PRB should confidently recommend corrective actions when NSAs are unable to meet the targets set for them. The PRB should maintain strong data analysis and reporting, and facilitate consultation with the European Commission so that regulations and directives are passed on to NSAs in the most efficient and effective manner.

Mr. Singh noted that safety should be of utmost importance when dealing with the Single European Sky, followed closely by cost efficiency. He stated that traffic risk sharing and exempt cost provisions should be completely removed, and penalties should be given when NSAs are non-compliant. Weighted average cost of capital (WACC) and returns on revenue (RoR) of ANSPs should be regulated to ensure cost-efficiency compliance. In cases where there is a lack of real competition, the PRB should introduce a genuine price-cap scheme.

Mr. Singh dedicated a portion of his presentation to the environment, of imperative importance to all of us. There should be environmental indicators that are easy to understand and compare for all phases of flight. The business trajectory should be both vertical and horizontal, continuously climbing and descending, and even considered when taxiing in or out on the tarmac. An environmental aspect should be available during all stages of flight.

To conclude, Mr. Singh talked about capacity and peak period performance, including flight times, days and the season. He mentioned average delays, the need to avoid long delays and an attention to planned capacity as opposed to actual capacity.



## **SES Charging Scheme, How to Incentivise Efficiency**

**ROLF TUCHHARDT** (replacing ANNA ZALEWSKA), Policy Officer, European Commission

Mr. Tuchhardt began the presentation by reviewing what the Single European Sky (SES) Charging Scheme has accomplished so far, including increased transparency with regard to the economic regulation of monopolies. He noted that risk sharing arrangements such as traffic risk sharing (Air Navigation Service Provider (ANSP) risk capped at 4%) and cost risk sharing (100% pass through of uncontrollable costs) were functional with alert mechanisms in place should the need arise to re-open target levels. He also mentioned incentives, including cost sharing, mandatory bonuses/penalties, a 1% revenue cap, and symmetrical incentives.

Mr. Tuchhardt touched briefly on the concept of traffic risk sharing, noting that the status quo was +/- 2% dead band; +/- 10% cap (ANSP exposure 4.4%); and 30%/70% sharing keys. He went on to look at cost sharing, listing the cost categories that are exempt. He noted that there is an unproportional administrative burden to deal with cost sharing, so there are current discussions on how to proceed. There were three options presented: status quo, remove the concept entirely, or create an internal mechanism for defined benefit pension schemes.

Mr. Tuchhardt went on to discuss inflation adjustments. Each year there is a difference between planned inflation and actual inflation, so the Commission needs to look at whether to maintain the status quo, limit inflation adjustments to certain costs and cap deflation at 0%, take on inflation risk sharing with 50%/50% risk sharing, or set targets in nominal terms. An even further step could be to require that national targets be set in Euro, but nothing has been decided yet.

Regarding incentive schemes, the status quo is a mandatory financial incentive scheme for reaching capacity which is set at 1% of revenue. Incentives are provided to exceed performance expectations, but it may discourage ANSPs from accepting additional traffic. The way the law was implemented across member states varies, so some clarity was lost. Options moving forward include maintaining the status quo with some guidance material, reviewing the mechanics of incentives such as 1% of revenue, symmetry, etc. or to implement actual incentives as opposed to planned capacity or Air Traffic Flow Management (ATFM) delay.

Mr. Tuchhardt spent some time discussing Capex monitoring and laid out some issues to consider: there is insufficient information on Capex and a difficulty linking the Performance Scheme with SESAR monitoring. 25% of planned investments were not carried out in Reference Period 1 (RP1), there are no clear-cut rules regarding unspent Capex allowances and there are issues with handling EU public funding. The options moving forward do not include the status quo, and call for more detailed monitoring at both EU and national levels, some kind of mechanism to handle Capex allowances and the introduction of the concept of conditional costs triggered upon pre-agreed milestones.



## SES Charging Scheme, how to Incentivise Efficiency

Marita Lintener

Advisor SESAR and Chair A4SG, Advisor to Deutsche Lufthansa

Ms. Lintener introduced her presentation stressing the importance of the charging scheme. We all agree that the scheme is about efficiency. It is paramount that cost and capacity goals remain priorities, as well as safety and environmental criteria to eventually achieve the SES high level goals.

The airlines are faced with many charges apart from the ANSP user charges which are the focus of the charging regulation. There are airport charges and other charges including security, passenger handling etc. Airspace users aim to lower all charges without looking at who is doing so last. They want charges to be lower across the board, whilst maintaining good service provider customer service.

Ms. Lintener noted the constraints airlines are facing in their daily operations: aircraft utilization, aircraft turnaround time, staff working shifts, maintenance constraints, connectivity at hub airports, etc. She then touched on regulatory constraints: night curfews, local regulation, military zones, ATC, etc. There are technical requirements: weather disruptions, local or regional restrictions, traffic flows changing, network management optimization, etc. And the passenger requests attractive flight schedules, efficient connections, predictability, attractive ticket prices, among other issues.

Reflecting the idea of modulation of charges, Ms. Lintener expressed the doubt that modulation of charges would support to the efficiency of the system, given the constraints already. The idea of modulation of charges might calculate theoretically sometimes a local optimum but – apart from many unsolved administrative and legal problems – would in practice create more complexity for the aviation system, reducing overall efficiency.

In this context Ms. Lintener asked the question, “what do we want to achieve with charges and the charging scheme?” Her reference to existing incentives included en-route incentives, departure time incentives, local incentives, etc. She then asked the question, “are we really aware about the actual impact of each measure?” Is efficiency improved when there is more complexity involved? “ Not necessarily.

Looking beyond the charging scheme, Ms. Lintener noted that any incentive setting must be in full synchronization and must not contradict the implementation strategy of the technological pillar of the Single European Sky, SESAR deployment. A complex charging system would bear a high

risk to conflict SESAR implementation activities. SESAR deployment will bring significant performance benefits to the European ATM system and its success must not be jeopardized.

To conclude, Ms. Lintener called for strong target setting by the European Commission within the Performance Scheme. Airspace users should be enabled to operate their flights in the most cost efficient and optimized manner. She advocated strengthening the Performance Review Board, suggesting it could develop towards an independent regulator. Full transparency must be ensured and the charging system must remain manageable.



## Setting the targets for RP3: how can we make the process simpler?

Alexander Hanslik

Director Corporate Strategy and International Affairs

Mr. Hanslik introduced himself and his organization, Austro Control. He wanted to provide an industry perspective to the question of performance review. He introduced his organization, Austro Control, which provides ANSP and Aviation Agency services. Founded in 1994, Austro Control is 100% state owned, with 2 managing directors and approximately 1000 employees. Based in Vienna, their profits income stems mainly from Air Navigation charges but also from terminal charges and service contracts. They operate about 1.1 million controlled flights, 200,000 airport landings, give out 10,000 pilot licenses and operate about 130 flight schools in any given year.

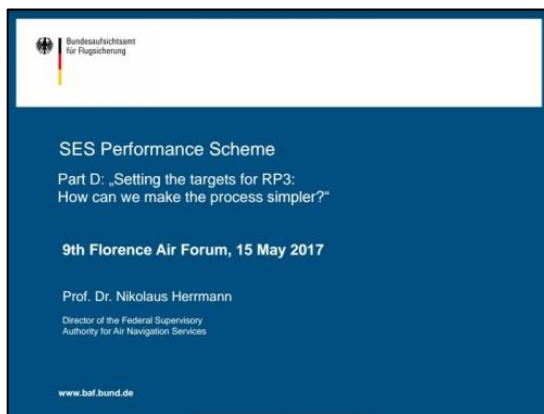
According to a study by ECORYS, RP1 and RP2 were successful albeit below their stated expectations. During the two 5 year periods cost efficiency went up, capacity improved and environmental impact improved. From the long term perspective, flight movement in Europe grew overall with delays in the decline. However, Mr. Hanslik noted, the Single European Sky is presented to the public as if it were a total failure. Recent press releases suggest a huge loss in revenue. Real data would suggest otherwise.

However, there is of course room for improvement. Mr. Hanslik noted that streamlining the procedures to declare local targets more rapidly in order to overcome any potential discrepancies between local and Union wide targets would be helpful, as well as a review of the FAB dimension and the streamlining of reporting on scheme requirements. He also noted that consolidation and streamlining of legislation would in general improve the popularity of the Single European Sky objective, including many of the cumbersome administrative processes.

The European Commission's "option paper" presented to the SSC seems like a great starting

point for RP3 discussion. The main areas for improvement would be under the headings of Performance Regulation and Charging Regulation. There is a need for a stable and predictable regulatory framework in order to improve processes and determine where to make investments. To conclude, Mr. Hanslik declared that it is time to acknowledge what has been achieved due to the SES process. Further improvements - are necessary and will be delivered in RP3. Criticising SES as a failure is unjustified, demotivating for all stakeholders and therefore potentially detrimental to future progress. Instead, to reach the ambitious goals of the SES process, we should make all efforts to foster a positive attitude, and a cooperative approach of the parties involved.





## Setting the targets for RP3: how can we make the process simpler?

Nikolaus Herrmann  
Director, Bundesaufsichtsamt für  
Flugsicherung

Mr. Herrmann began his presentation by stating that simplicity has an advantage in that it sounds good, but may not always be the right choice. Although simplification features prominently in the Commission guidelines for Better Regulation, RP3 needs to focus more on feasibility and efficiency.

RP3 needs to address the scope of the regulation. Some performance areas are not as crucial as others for the success of the scheme. The content of the targets themselves could also be improved. An example would be that targeting capacity with just the average delay per flight indicator does not seem to make much sense below a certain threshold. Mr. Herrmann noted also the wide demand from ANSPs and States to put more emphasis on local circumstances with the idea of making targets easier and better. In this respect, however, no common concept exists. At one end of the spectrum there is a call for a more informed decisions by the Commission, which seems strange since detailed country reports are already provided. At the other end, the request to base performance plans on the business plans of the ANSPs only seems likewise counter-productive.

Mr. Herrmann looked at the different performance indicators. For the key performance areas of capacity and costs, he promoted a radical change in perspective. As in the labor market, there should be room for negotiated agreements. He pointed out that in the discussions over the day, a most striking consensus by participants from the air space user and ANSP side on a lot of issues could have been detected, so target setting for capacity and costs should best be left to negotiations of the stakeholders on the supply and demand side. The regulator would just have to set the rules of the game.

Mr Herrmann compared the current set-up of the performance scheme with a maze, and pointed out the necessity to perhaps break down walls where necessary to get to the finish line. Reducing complexity by removing inefficient instruments and ambiguities in regulations would be a step in the right direction. But simplifying the process of target setting may not be a solution in and of itself when the problems at hand are of a substantive nature. So, paradoxically, simplification may require complex decisions.□

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