

## Minute of User Meeting May 26<sup>th</sup>, 2011 – Rome

On May 26<sup>th</sup>, at the Hilton Rome Airport Hotel in Fiumicino, there has been the User meeting, a multilateral meeting between ENAC, ENAV and the representing people from Airlines.

This user meeting has integrated the annual consultation with users on unit rates, gaining in importance, being now mandatory also as part of the stakeholder consultation related to the National Performance Plan (NPP) for the entire Reference Period (2012-2014), as required by the recent EU Regulations update. The most important change introduced by such new EU Regulations, from 2012, is related to the measure and optimization of operational and economical performances of European ANPS. At an economic level, the most relevant effect will be the change from full cost recovery system to determined costs method.

Aim of the meeting is to share a first version of the NPP with the different representatives of the ATM industry, explaining the principal elements of the Plan and economical and operational targets in detail.

### PARTICIPANTS

Name	Company/ Institution	Type
Nicole Ammann	Swiss Int.	User
Kathrin Blau	AEA	User Org.
Beppe Bozzi	ENAV	ANSP
Tony Buss	British Airways	User
Luca Colman	ENAV	ANSP
Roberto Di Carlo	ENAV	ANSP
Luca Falessi	ENAC	NSA
Corrado Fantini	ENAV	ANSP
Massimo Garbini	ENAV – DG	ANSP
Edwin Kleiboer	Air France – KLM	User
Monica Luzzio	ENAV	ANSP
Claudia Mura	ENAV	ANSP
Laurie O'Toole	IATA	User Org.
Carlo Pacenti	Alitalia	User
Agnese Palma	ENAC	NSA

### SUMMARY OF THE MEETING

#### Welcome – first remarks

Massimo Garbini (**ENAV General Director – DG**) gives the welcome speech, highlighting the good performances in all areas and the continuous improvement, maintaining ENAV as one of the best in class in Europe. DG rapidly describes general results in terms of safety, capacity, environment, cost efficiency, with reference to the unit rate, to the operational performances and to ENAV role in BLUEMED and briefly refers to the recent political situation in North Africa and its impact on our traffic (Statfor forecasts).

Laurie O'Toole (**IATA**) takes the floor thanking ENAV and considering the importance of a good performance of Italy among Europe, being one of the Big 5, underlines it has the 5<sup>th</sup> highest cost base (about 8% of European costs). IATA continues its positive remarks on the very open and constructive dialogue established with Luca Colman and its team, appreciating it.

Luca Falessi (**ENAC**) brings ENAC DG greetings. The Authority remembers the difficulty of application of the new Regulation and that ENAV is the only big entity in Italy, but also that ENAC and ENAV are working

together in a very efficient and productive way. ENAC confirms that as long as the results are good, it doesn't feel the need to get into the process. ENAC reminds that ITAF could be out of the Performance and that Italy will wait to apply determined cost method for terminal in Reference Period 2 (2015-2019).

Luca Colman (**ENAV – LC**) continues the presentation, informing the participants that the purpose is transparency, but also gives the warning that – compared to the initial version of the Plan – a few things have changed in the last days, making it necessary for ENAV to present updated documents.

After **ENAC** underlines that there will be a planned reduced presence of Italian Air Force in airports next years, as a consequence of the transition of some military airports from ITAF to ENAV, **IATA** asks about the cost of such transition. **LC** replies that, at current regulations, running costs of those airports would mainly benefit from a contribution of the State.

With regard to EUROCONTROL costs **IATA** does not accept these are uncontrollable given that the States control the Agency budget via the Standing Committee on Finance and the Provisional Council, but (**ENAV** replies) State representatives have no such an influence on the decision of the Agency, especially now that EUROCONTROL connection with the EC is stronger (NM, PRB, etc...).

**ENAC** continues the presentation explaining the importance of safety and the quality of service, assuring there will be no compromise on the actual level of services. ENAC proposes a bonus on capacity: the idea is to fix a 1% bonus (or a range of values) on Italian costs in consideration of the excellence in capacity. Users are not fully satisfied of such a proposal. While **ENAV** emphasizes that it has one of the best performance in Europe in terms of capacity and that the target proposed for Italy is a really challenging target, **ENAC** replies that having such a capacity also means a cost for the Company and the Country, and continues that such reduced delays also mean reduced fuel costs for airlines and Italy is already over-performing with reference to the EU-wide targets and in comparison with other States. **AFKLM** agrees on ENAC and ENAV arguments. ENAV gives the impression, on **IATA** point of view, to be trying to get a reward from the excellent performance for capacity. **LC** remembers that there is an effective trade off in terms of performance and costs: it is very difficult to keep this delay level and at the same time reduced costs.

**IATA** declares that it does not support the proposal for a 1% bonus of determined costs of the ANSP for each year the declared capacity has been achieved.. Users ask, in case the 1% bonus is recognised, for the adoption of a penalty in case the performance would not be good enough. Italy will work in order to find a balanced bonus-penalty solution.

**IATA** enquires on the alert threshold on traffic (as it remembers that other States adopt a 10% threshold, while Italy wants to make 4,5%) and would like to understand the justifications for it. **ENAC** answers that the 4,5% – corresponding to several millions of € in terms of revenues – is only a national threshold after which discussion will be open, and this would not necessarily mean a revision of the Plan.

## **Scenario**

ENAV (**LC**) continues the presentation of the scenario.

**IATA** asks about the percentage of overflights on total flights asking – in particular – what are the effect of the North African crisis on the Italian traffic demands. **LC** answers that overflights are about 40% of total flights in Italy and that the effects of such crisis have determined a reduction in Italian over-flight service units of over 5% on the previous year.

**IATA** claims that many States in Europe are exaggerating the risk in changing from the full-cost recovery to the Performance Scheme, which creates more costs for the users. In IATA's view the risk is exaggerated as ANSPs are still 100% Government-owned monopoly providers of essential service with a reasonably assured revenue stream. **LC** answers that risk is actually increasing from the old to the new method as the full cost recovery system is over, (i.e. the share of traffic risk borne by the ANSP, see the possible impact on

ENAV revenues due to the actual North African crisis) even if risk is not so high at the moment and can be lowered by having good planning and good relationships between stakeholders.

**AFKLM** asks whether the Stabilization Fund will disappear with the new Performance Regulation and if the 1% bonus could feed the Fund. **AFKLM** requests also if the decrease in traffic could be forecasted. **LC** informs that the future use of the Stabilization Fund is still being discussed with the MEF (a possible hypothesis could be to use it only in case ENAV would not be able to reach the level of performance). **LC** informs also that service units forecast have been difficult this year (i.e. last year's volcanic ashes, this year's North-African crisis,...).

## **Safety**

ENAV (Roberto Di Carlo – **RDC**) continues with the presentation on safety, remembering that mandatory targets for Safety have been postponed in 2<sup>nd</sup> Reference Period, but also that ENAV is always working to improve safety levels. **IATA** asks which is the impact of complexity and high density on safety results. For **RDC**, ENAV is providing the complex areas with systems able to double monitor.

Users comment the last final judgement of the Court. **ENAC** confirms the difficulties such sentence has created and remembers there is a new working group analysing this issue, with no results at the moment. **RDC** affirms that safety is at stake and it is important to analyze such subjects all together.

## **Capacity**

ENAV (Corrado Fantini – **CF**) presents the slides related to the capacity plan and targets. Italy has decided to accept the target, proposed by the capacity planning process of EUROCONTROL, of 0,12 minutes per flight in 2014.

**AZ** comes out in favour of ENAV, recognising the improvements made in the last years, but asks some clarification on tower delays. **IATA** as well expresses its favorable position on Italian costs in comparison with other countries, but also reminds that from 2009-2010 costs have increased. Is ENAV saying that the new economical Performance brings to capacity decreases? **CF** answers that with reference to the capacity values recorded in 2009-2010, we have to take in account that the delay reduction was partially due to the big drop in traffic; even if there is a trade-off between capacity and cost performance, ENAV has developed a way to manage higher number of flights with a lower number of sectors where the proactive management of configurations should allow to aim the challenging en route punctuality targets proposed by the EC and reported in the NPP for RP1. Users argue on the use of the bonus; **IATA** suggests that if there is a bonus, there should also be a penalty if targets are not reached. **LC** re-confirms that this suggestion can be considered.

## **Environment**

**ENAV** (Corrado Fantini – **CF**) continues its presentation on environment.

**IATA** asks about BLUEMED updates, with particular reference to cost reduction and to the fact that while they welcome the operational delay and fuel saving initiatives they are not seeing the expected saving benefits deriving from the FAB. **CF** replies that the FAB implementation for the moment is allowing coordination in subjects such as airspace design. More operational improvements are still under studying in FAB Blue Med definition phase, some network implementations were already implemented by ENAV in the Italian Airspace according to FAB Blue Med Route Network Catalogue. **LC** says that BLUEMED advantages in the first phase will mainly be operational; WP4 team is actually preparing a cost-benefit analysis (ready at the end of September) in order to calculate the savings. **IATA** continues to call for BLUEMED cost effectiveness and asks on related investments. **ENAC** confirms – on the users' question – that Italy will present its own NPP.

## **Cost efficiency**

**LC** starts with the presentation on the cost efficiency, highlighting in particular the variations on unit rate related to the reduction on ENAV traffic (on service units) due to the North-African crisis, but also remembering that without such traffic variations, ENAV and Italian performances would have been in line with EC targets. **LC** remembers that costs are not so flexible to follow the unpredictability of the traffic demand, even if ENAV is already putting a lot of pressure on costs.

**IATA** asks:

- the number of unions in ENAV (14 answers **LC**) and the number of FTE equivalent (staff) in **ENAC** (about 31 FTE equivalent, of which about 16 are seconded by ITAF, answers **ENAC**);
- about the cost of the transfer of military airports to ENAV (which will not signify automatically more costs for the users, answers **LC**);
- on the correctness of the EUROCONTROL Service Units forecasts (on **ENAV** point of view, a better picture will only be possible after the summer season, as for the moment Italy has a big decrease in SU, but it is still growing in terms of flights' numbers – in spite of North African crisis). **IATA** obviously hopes that such crisis is temporary and does not affect the traffic overall forecasts, but also says that in case such crisis would not be temporary, costs should be revised in reduction. **AZ** asks providers to think already about eventual countermeasures to reduce costs. **LC** informs that ENAV already has reduced its costs as much as possible and that there is no more margin. **LC** stresses the fact that such increase is only due to SU reduction, but also remembers the flights' growth (meaning less revenue, but more operational work and costs). Finally, such traffic variations are only related to the North-African crisis, event which could terminate in any moment;
- some more clarification on the unit rate increase (due to traffic) and on which could be the contingency plan in case traffic does not lower. **LC** talks about costs' reductions on airports reviewing the level of service in some small airports and reduction of the cost of capital (action to be checked with the shareholder). Traffic forecasts and unit rates will be checked after the summer season;
- to know the links on ATM Master Plan and SESAR, asking that the Performance Plan includes the link between operational improvements in Sesar and the investment plan. **LC** and **ENAC** answer that all such information will be included in the Performance Plan.

**IATA** concludes that a relevant increase in the unit rate in general will be accepted only as a temporary situation. **LC** replies once more that such increase is linked to traffic development related to the crisis and to under/over recoveries from previous years.

Nicole Ammann (**SWISS** Int.) asks if the Italian State contribution is set by law and **LC** answers that there is a national 2005 law. **SWISS** asks also why there are no more IFR deductions on IFR flights and **LC** replies that the new EU Regulations require the use of Total SU and therefore Tables do not consider the exemptions.

**AFKLM** and **IATA** – followed by all other **users** and users' organizations – say that they will provide with feedbacks for the NPP, but also that they would be grateful for a minute of the meeting to be sent by Italy and in generally ask for a short NPP, not more than 50 pages.

The entire day has been characterized by a friendly and cooperative mood and finally **IATA** thanks Italy on behalf of all airlines' representatives, both for sharing economical and operational targets and for transparency and openness on NPP explanations given.