



## INTERNATIONAL FEDERATION OF AIR TRAFFIC CONTROLLERS' ASSOCIATIONS

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### **IFATCA Analysis of EUROCONTROL Agency's Fundamental Business Activities –Deloitte Report**

#### Executive Summary:

As a result of the COVID 19 pandemic, air transport has been faced with a major crisis, the impacts of which are likely to last. The significant reduction in air traffic has resulted in European Air Navigation Service Providers (ANSPs) being faced with a major financial dilemma due primarily to the way in which they are funded.

“Overall, the substantial traffic decrease resulting from the COVID-19 pandemic has resulted in a +47% increase of en-route unit rates in 2021 for States operating under the full cost recovery regime. On the other hand, for States subject to the SES regulations, 2021-unit rates are based on planned traffic and costs assumptions developed in November 2019 and remained in the same order of magnitude as in 2020. In 2021, States will have to face additional losses which will add to those borne in 2020.”

[Aviation Intelligence Portal Press Release #02/2021](#), 19th February 2021.

It is understandable that the EUROCONTROL Agency has been asked to participate in a cost reduction exercise. However, when taking into consideration the expense of European Air Traffic Control (ATC), in part due to its fragmentation, one may ask the question that it is contemplating the problem “looking through the wrong end of the telescope”.

When referring to the current Deloitte study, it should be put into perspective as the most recent in a long series of examinations completed in the Agency's existence. Results are generally expected to produce significant changes, which have historically not been realised. They have included internal audits and also external inspections completed by McKinsey, Ernst and Young in 1997, Coopers and Lybrand, Integra, Moroni-Walton, Administrative and Technical Inspection Committee (ATIC), [European Civil Aviation Conference \(ECAC\)](#), Meeting of ECAC Air Transport Ministers (MATSE) from 1988 until 2008 in order to amend the EUROCONTROL Convention (1976-1981) and to revise the amended convention (1994-1997).

Often it is beneficial to have a new perspective from a consultant that has limited knowledge of the European ATC environment. However, in this case, Deloitte's brief experience of ATC within the US, a completely different market, may influence the outcome of their recommendations.

Interviews have been held with various stakeholders in order to increase the consultant's knowledge base. Interestingly, these interviews have included organisations that have vested interests in a fragmented future of EUROCONTROL.

The proposals made by the study seem to be focussed primarily on cost reduction, rather than recognising the financial potential of the EUROCONTROL Experimental Centre (EEC), in Brétigny, France and the Institute of Air Navigation Services (IANS), in Luxembourg. The segregation of the Maastricht Upper Airspace Centre (MUAC) from these entities is likely to hinder cooperation and innovation. These ideas have

**- 60 Years of Professional Involvement -  
Since 1961, IFATCA represents air traffic controllers,  
with currently more than 50,000 members in over 130 countries.**

been proposed previously, thankfully without success. Their continued integration as part of the same body will ensure the avoidance of duplication and increase economies of scale.

- MUAC is a unique example of a successful Functional Airspace Block (FAB). As highlighted in several Performance Review Commission (PRC) reports, MUAC is the most productive FAB and one of the most financially efficient UACs in Europe.

- Although some ANSPs develop in-house training programmes, these have only been possible through the pioneering approach taken by IANS to produce European regulatory compatible courses and make them available to all and as a result, reducing duplication and maximising common training synergy.

- When considering R&D (the EEC at Brétigny), the report welcomes the creation of an innovative hub, and surprisingly coincidentally supports the opposite, potentially limiting the potential of SESAR 3.

- A coherent plan considering staff attrition through natural retirement and reattributing staff according to their developing skills may enable significant cost reduction over the years ahead.

In line with the report of the Wise Persons Group on the future of the single European sky; the Agency could be seen as an efficient and economically viable part of the European ATC system.

## **IFATCA comments on recommendations**

1. [Ensure the new Strategic Plan, as laid out in this study, is integrated in the next Agency Business Plan and its work programmes for 2022 – 2026.](#)

The Business Plan is the management tool used to detail the implementation of the agency work programme. It seems obvious that it will have to be aligned with agreed strategic orientations. The work programme should be streamlined accordingly.

2. [Network Management \(NM\) activities:](#)

- [Seek to become the permanent provider of network management services for the EU.](#)
- [Excel in executing the enhanced NM role as foreseen in the SES reform programme.](#)
- [Function as an Air Traffic Data Service Provider \(ADSP\) where a pan-European need exists.](#)
- [Evolve the SESAR Deployment Manager into the future Infrastructure Manager.](#)

As reflected in the recommendations of the Wise Person Group and reflected in the SES2+ proposal, a powerful and efficient NM and infrastructure manager is more than adequate for the European Air Traffic Management (ATM) system. EUROCONTROL becoming the permanent provider of the NM services would reinforce this direction.

It is our opinion that the goal should be to strengthen the NM role as a Command Control Centre. This would be similar to that performed in the U.S. by the Air Traffic Control System Command Centre. This centre has the final word on dynamic capacity balancing measures using a top-down airspace design. This has been acknowledged as being the key to unlock identified cross border traffic congestion hotspots within European airspace.

In accordance, the Infrastructure Manager (IM) should design and implement future Air Traffic Data Services (ADS) whilst ensuring the rationalisation of Communications, Navigation and Surveillance (CNS) infrastructure, eliminating potential overlap and optimising performance.

We completely support the fact that EUROCONTROL could be given the role of the IM, whilst being independent from the NM.

### 3. Work towards a permanent separation of MUAC from EUROCONTROL.

“...Maastricht Upper Area Control centre (MUAC) should remain intact, managing the upper airspace of the four states. Consideration should also be given to securing the inclusion of Karlsruhe upper airspace as part of its airspace jurisdiction. The organisation should be structured as a ‘normal’ ANSP, as a four state-owned business entity, with safety oversight being carried out by EASA. It shall no longer be an international organisation.”

As underlined in many PRC reports, MUAC is the most productive and one of the most cost efficient UACs in Europe, and the unique example of a successful Functional Airspace Block (FAB).

The Deloitte report mentions “significant challenges and administrative difficulties” in MUAC’s status, deems it inappropriate, states that it prevents MUAC from adapting and “digitising” and that it is not consistent with ‘normal’ market conditions. The report however fails to provide any justification for any of these statements. For example, ‘normal’ market conditions are not defined within the document. MUAC autonomy is labelled as “suboptimal”, without any supporting evidence.

Moreover, the concept of a separate MUAC has been pushed by some as inevitable for years, so it is nothing new, but it has historically failed on at least three grounds:

- MUAC is the property of all 41 States (this is stated in the Deloitte report - page 40- however it fails to mention a potential alternative to ownership).
- MUAC’s external costs would rise as a direct result and significantly through separation due to its new VAT status, to the immediate detriment of airspace users.
- The report does not state how the costs related to the disintegration of the service provision to Slovenia and the Dutch Military, including their associated legal liabilities, are taken into account due to existing contractual obligations.
- The management of the MUAC pension scheme would have to be taken over by any new owners of MUAC, this would incur considerable cost.

The widely acknowledged failure of the concept of Europe wide FABs should not prevent any kind of optimisation of service provision when considering that current fragmentation is sub-optimal (too many ANSPs below a subjective critical size).

Rather than questioning the MUAC current setup, new models of optimisation should be investigated:

- Operational ‘Top-down’ design of ACCs using designated ANSPs with possible periodic competition.
- Potentially a single service provider for Europe, reinventing the vision of the founders of EUROCONTROL.

### 4. Continue to act as a central banker of pan-European ANS (Central Route Charges Office (CRCO))

While exploring “...a more strategic role including, for example, a system stabilisation fund, with permanent access to the banking system and to funding.”

The COVID crisis has created an unsustainable financing situation for ANSPs that has identified the need for a new model in which the CRCO should play a key role.

The current situation has shown that part, or all the activities involved in the provision of ANS could be funded independently to the current “airspace users pay all” principle. CNS/ ATM infrastructure, if considered as common European assets or services, could be the first initiative to benefit from this type of financing.

## 5. Leverage its position as the central repository for aviation data in Europe.

In order to build a...”pan-European Aviation Intelligence Centre of Excellence. Data and intelligence refer to operational, performance, environmental, financial, and economic data related to aviation.”

This important role is already in operation and provides useful information for management and policy decision making (see Aviation Intelligence Portal) and the latest coronavirus airline and aviation industry news).

Easier access to industry data would reinforce and develop the robustness of this role.

## 6. SESAR 3 should be the only research activity within EUROCONTROL.

In particular... “a focus on activities designed to close the V4 gap (i.e., reach the deployment phase). Any other research activity will need to have a demonstrated added value, i.e., address customer needs.”

EUROCONTROL as a founding partner and as one of principal contributors to SESAR, has built up considerable expertise in all programme areas. To reduce it to a mere industrialisation process would be detrimental for research. The funding spent in research is of paramount importance to provide the evolution of ATM. EUROCONTROL has professionally coordinated the majority of SESAR projects, therefore facilitating industry involvement from the initial stages until completion.

No other technological validation platform of a similar size and nature to the EEC exists within Europe. The EEC is an innovator and a centre of brave new ways of thinking. As such, this institution should continue its work unhindered.

The rationalisation of the SESAR work program to concentrate on what is strictly essential to improve efficiency and not what is a bonus feature, is an important element of the current research review.

EUROCONTROL is uniquely placed to contribute to this review through its expertise.

## 7. Create a pan-European Network of Innovation Labs

“...Brétigny could potentially be positioned as the European Innovation Hub in aviation. If Brétigny was to serve as this Innovation hub, there is an opportunity to rationalise the staff by approx. 20%. However, if these services (incl. simulator tools) are to be delivered in Brussels, this would necessitate the closure of the Brétigny facility and would potentially lead to higher rationalisation.”

The proposition by Deloitte suggests a 20% reduction in staff numbers. McKinsey, Ernst and Young in their study of 1997 recommended the same. This would inevitably hinder the existing Brétigny EEC initiative, acknowledged by the Deloitte review, as a strong enabler of a quick life cycle between R&D and deployment. The benefits of this type of enabler are recognised and valued in other industries and are called: Innovation Lab, Digilab or Incubator. These places of innovation are generally located separately from the operational or industrial elements of the discipline due to the requirement for a different culture or spirit, unaffected by short term priorities.

The existence of an actual physical site, already equipped for such innovation, provides an optimal solution. The unnecessary relocation of staff and families comes at considerable expense and does not contribute to an atmosphere of leading-edge thinking.

An avant-garde idea may be that of the merger between SESAR JU and EUROCONTROL R&D into a joint research centre, thus rationalising EU funds towards a path of common interest, flexibility and agility in a rapidly changing environment. This would also consolidate the long history of ATM R&D and EU framework programmes.

8. Expand its expertise and services in the area of sustainability leadership,

“...building on its operational expertise (to develop aviation sustainability solutions) and its wealth of environmental data.”

It is widely recognised that the industry standard modelling tools (global emissions, contrails, local airports air quality and noise), developed in Brussels and Brétigny, are compliant with ICAO requirements and are used in the design of future European airspace and procedures.

The quote from the Deloitte study seems to contradict points 6. and 7. of the same questionnaire.

9. Limit training services to end-user training on network solutions and systems,

“...which would be carried out from EUROCONTROL HQ, leaving all other training activities for the industry to explore. Close the decentralised training facilities in Luxembourg (IANS).”

IANS has many other training and safety-related activities (e.g., measurement of safety maturity indices, safety management, etc) which are quantifiably appreciated by stakeholders and are proven to deliver tangible network benefits. It is therefore unclear as to why any of these activities should be discontinued or sub-contracted to third party organisations that are likely to be less efficient.

Furthermore, with the ambition of a single European ATC system, it is fundamental to have a central facility as the reference for training. The proposition to sub-contract training, breaches the prospect of a more efficient, defragmented European ATM.

Sub-contracting, or even developing bespoke in-house training facilities and packages will inevitably increase cost to individual regulators and ANSPs. This cost will subsequently be passed on to airspace users.

10. Secure visibility on the “cost of doing business”.

“... (service cost, project cost, process cost, system cost, etc.), i.e., establish a baseline and implement performance monitoring.”

This can only be supported as part of normal managerial practice.

11. Set an ambitious 30% cost efficiency improvement target.

“...and roll-out a process efficiency improvement programme, with the automation of support processes and systematic spending reviews as two of its key priorities over the lifetime of this plan.”

. Ambitious targets are always welcome. However, this cost reduction should be considered from a wider European perspective coming from the defragmentation of the European ATM system.

12. Implement Strategic Workforce planning

“... (incorporating both staffing levels and competences) that includes a bold and focused redundancy plan, the implementation of which should start as early as possible and once the major recommendations are agreed.”

Implementing a strategic Workforce planning well adapted to the any revised needs of the agency is normal managerial practice that should be transparently implemented in collaboration with the social partners. This might entail an increase if the role of the Agency would be widened. One caveat would be to avoid where possible solutions such as the Early Retirement Scheme (ETS) which has not been cost efficient and has entailed a loss of high level operational and technical expertise.

13. [Implement and activate, in close collaboration with stakeholders, an open aviation talent marketplace,](#)

“...enabling the development of a diverse, dynamic workforce that is continuously rejuvenated.”

In the context of the new challenges that the EUROCONTROL agency is facing, and with motivating Human Resources practices, the creation of such an attractive marketplace could be a strong enabler to reinforce the ideal of a European culture and spread knowledge amongst all ATM industry stakeholders. A careful balance must be found between experience (undetermined contracts) and innovation (short-term contracts). Corporate identity and loyalty need to be secured.

This proposal, however, could be contradictory, as on one side the organisation is recommended to make operational experts redundant and on the other side, to create a marketplace to attract a diverse and dynamic workforce..

14. [Implement a new organisation structure.](#)

“...that reflects the strategic priorities: Network Management (“NM” Directorate), Aviation Intelligence and Innovation (“All” Directorate), professional support functions (“Finance, Talent & Support” Directorate), Stakeholder Relations & Communication (“SRC” Division) and consistency from strategy to execution (“Executive Office”).

No comment.

15. [Conduct a fundamental review of the current Staff Regulation \(and Social Dialogue\)](#)

“...and establish a new Staff Regulation (and Social Dialogue) that allows for flexibility, proper performance management and for the implementation of fit-for-purpose Talent Management programmes.”

Current staff regulations and social dialogue can evolve. It is, however, perceived that the current regulations are not really an obstacle to efficient workforce planning and skill management, provided that the Agency uses regulatory means in full compliance with all applicable provisions in force.

16. [Review the current Pension Scheme.](#)

“...and liabilities and bring them in line with normal aviation industry models with a view to significantly reducing the pension liability of EUROCONTROL.”

It should be noted that neither the current nor recent performance of the pension fund, nor any recent actuarial studies, have been shown to support the idea that the Pension Scheme has become ‘unsustainable’. [The Study on ANSPs Pension Schemes and their Costs commissioned by the Performance Review Commission \(PRC\)](#) could assist in order to understand current ATM industry models. The remaining obligations shall be duly noted and integrated.

17. [Create a \(temporary\) Transformation Office](#)

“...reporting directly to the Director General to plan, steer, manage and monitor the implementation of the transformation journey and all of the above recommendations.”

Having a transformation office may be a good idea, in order to address the fundamental reorientation of human resources, business and strategic planning, work programme and workforce reconciliation and rationalisation and cost-efficiency targets. A recommendation should be to use targeted, in-house expertise which has a ‘track proven’ record in efficiency and, above all, is European ATM focussed.