

# Cost Efficiency Key Performance Area

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Stakeholder Workshop

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# Proposed EU-wide Cost Efficiency targets for RP3

Average determined unit cost (DUC) for en-route					
Starting point for target setting for RP3, proposed by the PRB	Determined Unit Cost: €46.38 in 2019 (in € <sub>2009</sub> prices) Determined Cost: 6,325M€ <sub>2009</sub>				
Consultation value presented in June 2018:	Proposed range for 2019 DUC: €42.25 to €37.77 (€ <sub>2009</sub> prices) (i.e. -2.3% to -4.2% per annum over RP3)				
PRB final proposal for Union-wide targets for RP3					
	2020	2021	2022	2023	2024
Determined costs (DC) [M€2009]	6,272	6,219	6,166	5,968	5,770
Annual change in DC [%]	-0.8%	-0.8%	-0.9%	-3.2%	-3.3%
Service units [,000]	140,515	143,786	147,155	150,264	153,616
Determined unit cost (DUC) [€2009]	44.64	43.25	41.90	39.72	37.56
Determined unit cost trend (%)	-3.3%			-5.3%	
	-4.1%				

Source: Table 16 of the PRB advice to the Commission in the setting of Union-wide performance targets for RP3

# CEF1/4: Academic Study – Methodology and data source and results utilisation

## Main stakeholder comments

- General: Additional information regarding the data source, the variables used, and the robustness of the Study.  
  
The Academic Study has been perceived to be too theoretical and inadequate to account for local circumstances.  
  
Concerns that the theoretical approach would be used for the individual performance plans.
- ANSPs: Additional information on the treatment of historical cost reductions and their inclusion within the methodologies applied.

# CEF1/4: Academic Study – Methodology and data source and results utilisation

## The PRB response

- Most of the concerns were addressed during the Academic workshop on 21 August 2018
- The data set used was provided by EUROCONTROL and is published annually in the ACE Benchmarking Reports
- The Academic Report analyses the data from 2006 to 2016. The efficiency gains historically achieved are included in the analysis
- The objective was to benchmark the ANSPs belonging to the SES area
- Local circumstances were included in the model to control for heterogeneity within the ANSPs
- The Academic Study is only one of the inputs used to evaluate and set the level of ambition
- The main message from the study is the order of magnitude of the inefficiency levels

# CEF5: Forecasts

## Main stakeholder comments

- General: Information on why forecasts were requested but not taken into account.
- ANSPs and NSAs: Member States should be free to choose the most adequate forecasts reflecting local conditions.
- Airspace Users: The past experience with traffic forecasts have shown a potential problem of regulatory gaming

# CEF5: Forecasts

## The PRB response

- The new regulation limits the choice of forecasts to the STATFOR base scenario (NSA may decide to use other traffic forecasts)
- The MS forecasts have been reviewed by the PRB, but they were not complete

# CEF5: Economic surplus

## Main stakeholder comments

- General: Need to establish an agreed definition or, at least, a common understanding of the economic surplus
- ANSPs and NSAs: Economic surplus should be seen in the perspective of an increase in traffic and not with respect to the profits and the economic situation of the ANSPs
- Airspace Users: High level of surplus generated to date. How the PRB can avoid excessive surpluses in RP3

# CEF5: Economic surplus

## The PRB response

- The overall economic surplus has not been used to reduce future determined costs
- The PRB has reservations regarding the accumulated extra economic surplus and the poor level of investment by some ANSPs



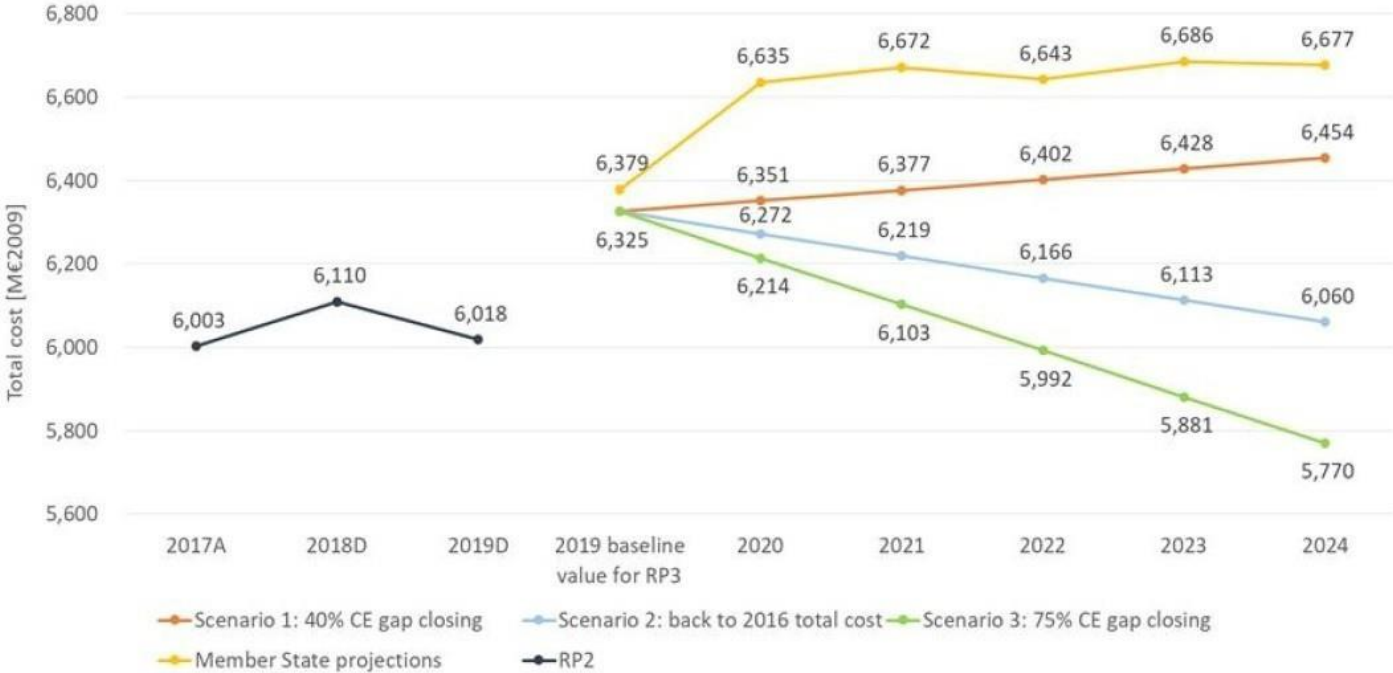
# CEF2: Link between Capacity and Cost Efficiency KPA

## Main stakeholder comments

- General: Excessive focus on costs reduction may harm the possibilities in investing in new technology and in other KPAs

# CEF2: Link between Capacity and Cost Efficiency KPA

## The PRB response



Source: Figure 6 of the PRB advice to the Commission in the setting of Union-wide performance targets for RP3

# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 1.

## Main stakeholder comments

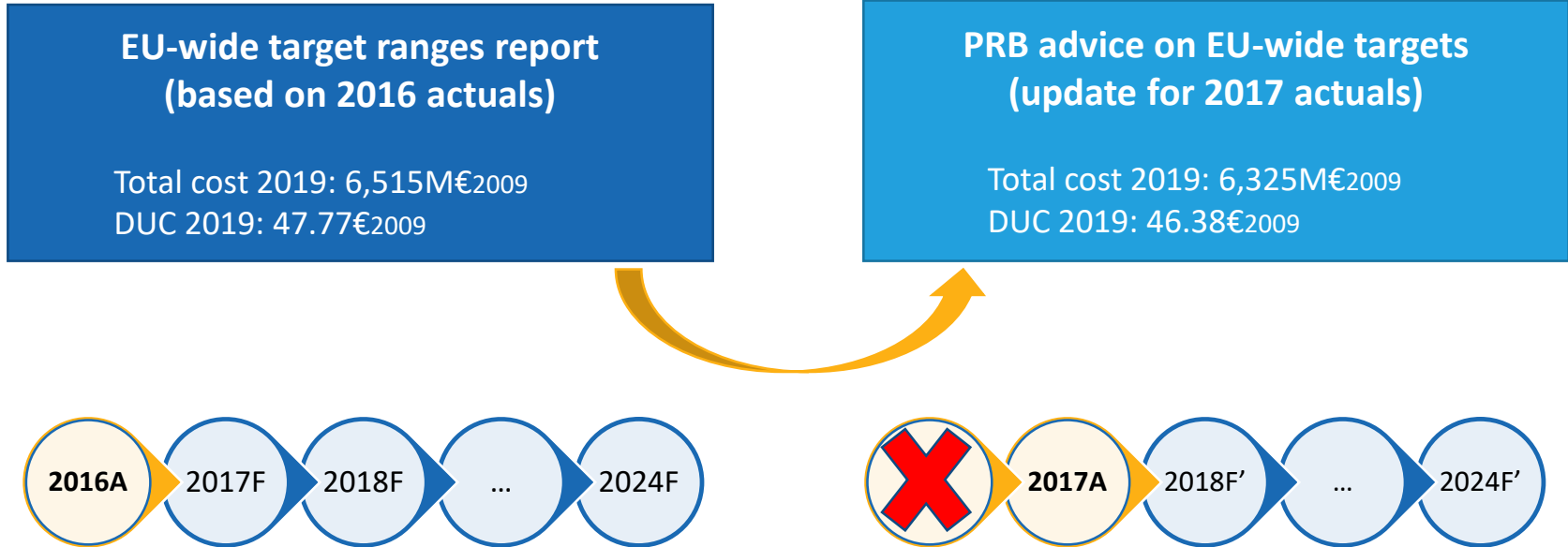
- General: Clarification regarding the estimation of the baseline value for determined costs (i.e. starting point)

# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 1.

## The PRB response

- The Service Unit/total cost relation describes the change of costs given a change in Service Units (SU)
- Starting from the latest actual total cost base and the STATFOR base scenario, the SU/total cost relation forecasts the total costs

# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 1.



All DUC values are derived dividing total cost by STATFOR base case forecast (Feb.'18): 136.4M SU

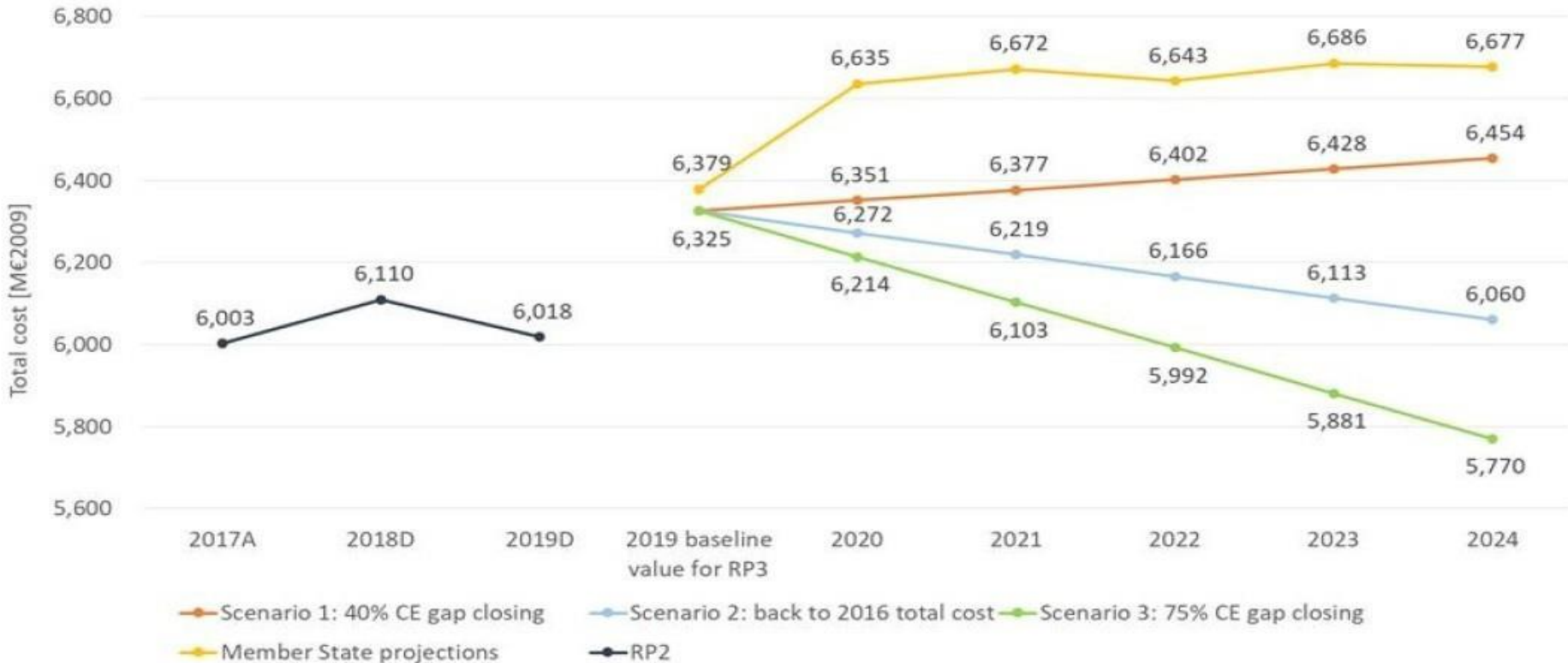
# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 2.

## Main stakeholder comments

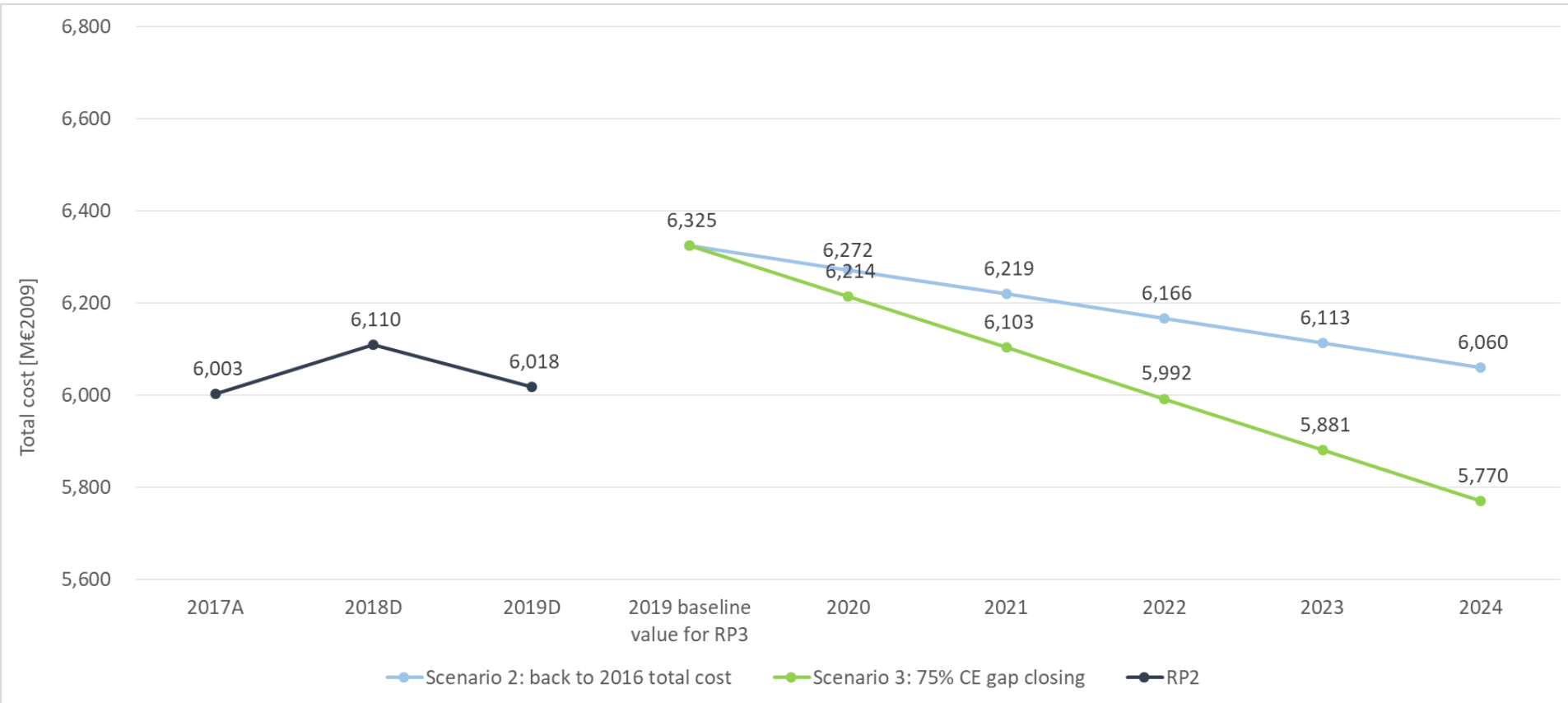
- General: Questions and comments regarding the construction of the baseline scenario and the rationale behind the other scenarios

# CEF03: PRB calculations for RP3 Cost Efficiency KPA target setting 2.

## The PRB response

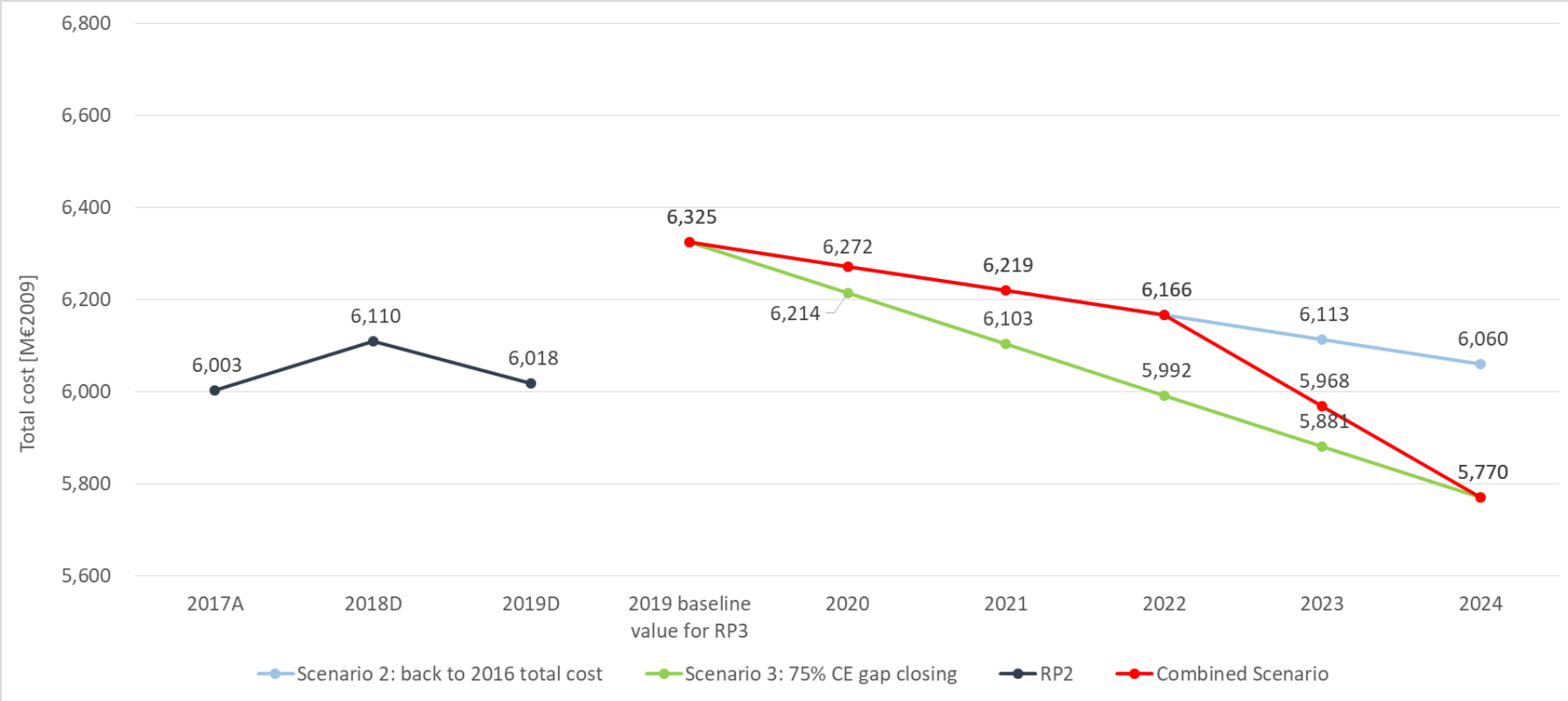


# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 2.





# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 2.

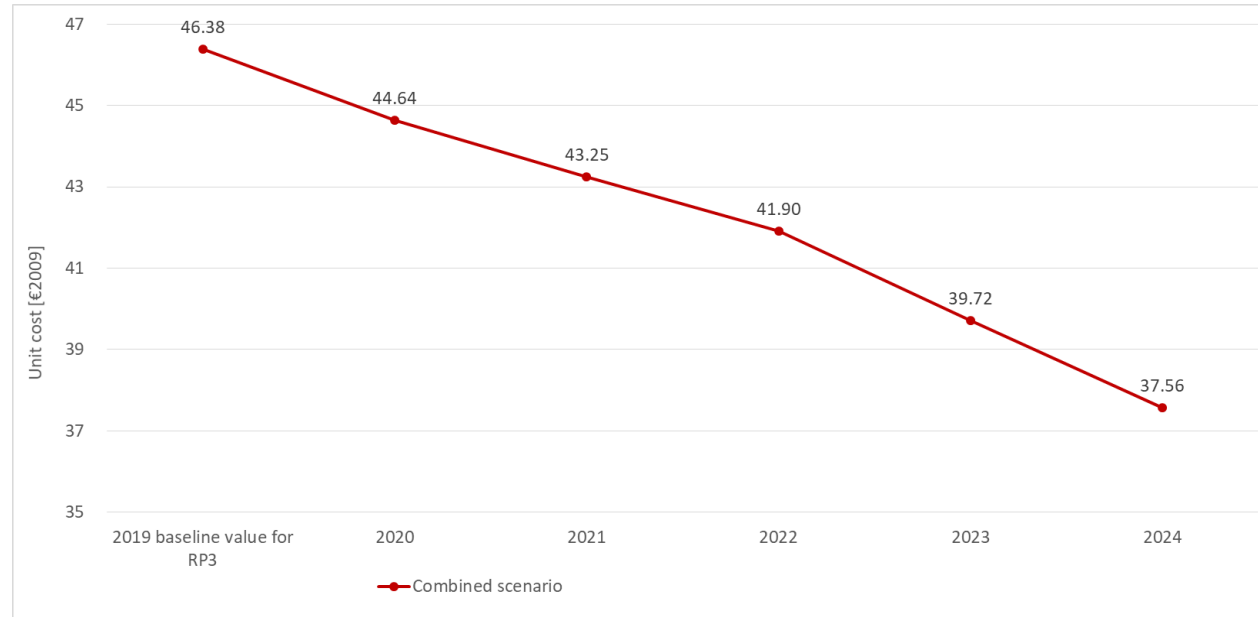


# CEF3: PRB calculations for RP3 Cost Efficiency KPA target setting 2.

TC -1.8% p.a.  
DUC -4.1% p.a.

TC -0.8% p.a.  
DUC -3.3% p.a.

TC -3.3% p.a.  
DUC -5.3% p.a.



THANK YOU

