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PRB advice on the detailed examination of the performance targets in the revised draft performance plan of Belgium-Luxembourg (en route cost-efficiency targets)

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1 INTRODUCTION AND BACKGROUND

1.1 About this report

- 1 This report assesses the information Belgium and Luxembourg submitted to the European Commission (EC) during the detailed examination the EC opened regarding the RP3 performance plans of those two FABEC Member States. The EC asked the Performance Review Body (PRB) to define and scrutinise the requested information and to make recommendations based on the outcome of its assessment, including possible corrective measures to be taken by Belgium and Luxembourg.
- 2 This report presents the PRB's advice to the European Commission in relation to the detailed examination, and it is supported by one Annex which provides detailed analysis.

1.2 The facts leading to the detailed examination

- 3 Responding to the downturn in traffic due to COVID-19 related travel restrictions, in November 2020 the European Commission adopted certain exceptional measures for RP3 derogating from Commission Implementing Regulation (EU) 2019/317 (hereafter referred to as the Regulation). Those exceptional measures were set out in Commission Implementing Regulation (EU) 2020/1627 (hereafter referred to as the exceptional measures Regulation).
- 4 Based on the exceptional measures Regulation, in June 2021 the European Commission adopted revised Union-wide targets for the third reference period (RP3).¹ In October 2021, Member States submitted revised draft performance plans with revised local performance targets for RP3.²

- 5 The PRB assessed the draft performance plans and advised the EC on their consistency with the Union-wide targets.³ The EC found the draft performance plans of Cyprus, FABEC (Belgium, Luxembourg, France, Germany, the Netherlands, and Switzerland), Greece, Latvia, Malta, Romania, and Sweden to be inconsistent with the Union-wide targets.⁴ These Member States were required to revise their performance plans.
- 6 In July 2022, FABEC submitted its revised draft performance plan. The PRB assessed the plan in October 2022.⁵ The PRB found that the local cost-efficiency targets of Belgium-Luxembourg contained in the revised draft FABEC performance plan were still inconsistent with the Union-wide targets. The PRB therefore advised the EC to proceed with a detailed examination of those performance targets in accordance with Article 15(3) of the Regulation. On 24th October 2022, the EC decided to open a detailed examination.⁶
- 7 Following the EC decision, Germany, France, the Netherlands, and Switzerland informed the European Commission that they have withdrawn from the revised draft FABEC performance plan and submitted revised draft national performance plans. After the assessment of those plans, the EC adopted Decisions on their consistency on 14th December 2022.⁷
- 8 Belgium and Luxembourg have not submitted any separate revised draft national performance plan. Hence, the revised draft FABEC performance plan remains the basis for the detailed examination.

¹ Commission Implementing Decision (EU) 2021/891 of 2 June 2021 setting revised Union-wide performance targets for the air traffic management network for the third reference period (2020-2024) and repealing Implementing Decision (EU) 2019/903.

² With Member States we refer to EU Members plus Norway and Switzerland.

³ PRB assessment of the revised draft performance plans for RP3 Union-wide assessment report – March 2022.

⁴ Commission Implementing Decision (EU) 2022/728 of 13 April 2022 on the inconsistency of certain performance targets contained in the draft national and functional airspace block performance plans submitted by Belgium, Germany, Greece, France, Cyprus, Latvia, Luxembourg, Malta, the Netherlands, Romania, and Sweden pursuant to Regulation (EC) No 549/2004 of the European Parliament and of the Council with the Union-wide performance targets for the third reference period and setting out recommendations for the revision of those targets.

⁵ PRB assessment of the second revision of the draft performance plans for RP3 - Union-wide assessment report - October 2022.

⁶ Commission Decision (EU) 2022/2255 of 24 October 2022 on the initiation of the detailed examination of certain performance targets contained in the revised draft performance plan for the third reference period submitted at functional airspace block level by Belgium, Germany, France, Luxembourg, and the Netherlands pursuant to Regulation (EC) No 549/2004 of the European Parliament and of the Council.

⁷ France: Commission Decision (EU) 2023/176; Germany: Commission Decision (EU) 2023/177; Switzerland: Commission Decision (EU) 2023/178; The Netherlands: Commission Decision (EU) 2023/178.

2 DETAILED EXAMINATION

2.1 *The purpose of the detailed examination*

- 9 The detailed examination under Article 15(3) of the Regulation enables the European Commission to further analyse the local performance targets giving rise to doubts by carrying out a more in-depth review of relevant data and information submitted by the Member State(s) concerned.
- 10 According to the Regulation, in the event that the examined performance targets are found inconsistent, the European Commission may define corrective measures which the Member State would have to take to make its performance plan consistent with the Union-wide targets.

2.2 *Detailed examination process*

- 11 The Regulation defines the process for a detailed examination in terms of outcome, time limits, and enforcement.
- 12 The PRB has supported the EC in the following steps of the detailed examination:
 - Fact finding, suggesting which additional information Belgium and Luxembourg should provide;
 - Analysis and assessment of the submitted additional information;
 - Definition of recommendations and corrective measures; and
 - Meetings with the Belgium and Luxembourg authorities.

2.3 *The outcome of the detailed examination*

- 13 The detailed examination can have two different outcomes. The EC can either conclude that the local targets are consistent with the Union-wide targets (Article 15 (4) of the Regulation) or that the local targets remain inconsistent with the Union-wide targets and that corrective measures should be set out (Article 15 (5) of the Regulation).

2.4 *The European Commission decision opening the detailed examination*

- 14 The European Commission found in its Decision (EU) 2022/2255 that the revised draft performance plan of July 2022 of FABEC failed to adequately address its recommendations regarding

the revision of the Belgium-Luxembourg cost-efficiency performance targets, as set out in Article 3 of Implementing Decision (EU) 2022/728. Accordingly, the Commission concluded that the en route cost-efficiency targets for the Belgium-Luxembourg en route charging zone gave rise to doubts as to their consistency with the Union-wide targets, on the basis of the assessment criteria set out in points 1.4(a), (b), and (c) of Annex IV to the Regulation.

- 15 The revised draft performance plan of FABEC lacked consistency with Union-wide targets and the legal requirements with respect to the following points of cost-efficiency:

- The revised cost-efficiency performance targets proposed for the Belgium-Luxembourg en route charging zone were not consistent with the RP3 Union-wide DUC trend, or with the long-term Union-wide DUC trend, or with the average baseline value of the comparator group;
- The observed deviations from the Union-wide cost-efficiency trends and from the average baseline value of the comparator group were not justified exclusively by measures presented by Belgium and Luxembourg for the achievement of the performance targets in the key performance area of capacity (point 1.4(d) of Annex IV to the Regulation); and
- The determined costs for the charging zone had not been reduced to a sufficient extent to ensure consistency with the Union-wide performance targets. The revised draft performance plan did not set out structural measures which would mitigate the planned cost increases over RP3 and contribute to cost-efficiency over the medium and long-term.

- 16 To further analyse these findings, the EC defined ten elements for which Belgium was asked to provide information.⁸ The EC defined these elements in an Annex to the Decision:

- 1. Measures invoked by Belgium and Luxembourg to justify the observed deviations from Union-wide cost-efficiency trends on the

⁸ Luxembourg was in copy of the relevant correspondence.

- grounds of additional costs for the achievement of their capacity targets;
2. Complexity of the provision of air navigation services in the charging zone, and its evolution over time;
 3. Detailed assumptions and parameters underlying the determined costs of skeyes and MUAC, for each year of RP3 and broken down per cost category and service;
 4. Service units recorded and forecasted in the charging zone, broken down per ANSP;
 5. Distribution of the MUAC costs and service units between the Brussels sector and the other sectors within the MUAC area of responsibility;
 6. Capacity planning of skeyes and MUAC including with regard to the planned number of ATCOs, ATCO training, and planned investments in fixed assets;
 7. Cost allocation between en route and terminal services, and between services in the scope of the performance plan and other services;
 8. 'DISPO' pre-retirement scheme for air traffic controllers in Belgium;
 9. Cross-border service provision arrangements with neighbouring countries, and their operational and financial impact; and
 10. Costs charged to airspace users in RP2 in respect of postponed or delayed investments in fixed assets.

2.5 Request for and provision of additional information

17. The EC sent an initial request for information to Belgium on 27th October 2022 (response requested by 4th November 2022) to provide the information needed to clarify the ten elements identified in the European Commission decision.⁹ Belgium responded on 6th November 2022 and on

9th November 2022 and noted that further information could follow.

18. A Belgian delegation, the European Commission, and the PRB Chair met on 9th November 2022 to discuss the requested information and the process of the detailed examination.
19. The EC sent Belgium a second request for information on 11th November 2022, reiterating that several issues remained unanswered and requested a reply by 18th November 2022.¹⁰ Belgium submitted additional information on 28th November 2022.
20. The EC asked additional information on 29th November 2022 (response requested by 5th December 2022), to which Belgium replied on the 8th December 2022 also complementing the previous request.¹¹
21. A Belgian delegation, the European Commission, and the PRB Chair met again on 8th December 2022 to discuss the submitted information and the process of the detailed examination.
22. A Belgian delegation, the European Commission, and the PRB Chair met again on 15th December 2022 at expert level to clarify the information that had been provided and the information that remained outstanding.
23. The EC sent a final request for information to Belgium on 20th December 2022 with a response requested no later than 10th January 2023.¹² The purpose of this request was to address the remaining critical gaps in the information previously received. Belgium submitted additional information on 12th January 2023.
24. The Annex to this report includes the detailed questions and the information provided by Belgium regarding the detailed examination.

⁹ Ref. Ares(2022)7457064 - 27/10/2022.

¹⁰ Ref. Ares(2022)7807848 - 11/11/2022.

¹¹ Ref. Ares(2022)8262367 - 29/11/2022.

¹² Ref. Ares(2022)8262367 - 29/11/2022.

3 THE ASSESSMENT OF THE INFORMATION PROVIDED BY BELGIUM

3.1 Overview

- 25 The information provided by Belgium allowed the PRB to analyse in more detail whether the consistency of the en route cost-efficiency targets for the Belgium-Luxembourg en route charging zone with the Union-wide targets. The analysis of the PRB confirmed the following findings:
- Local cost-efficiency targets inconsistent with the Union-wide trends;
 - Deviation from the long-term trend not exclusively attributed to additional costs to implement capacity measures; and
 - Determined costs for the charging zone not being reduced to a sufficient extent.
- 26 The data provided by Belgium did not fully respond to all the requests the EC had sent to Belgium. For its analysis, the PRB used the data made available by Belgium and, where needed, other sources (e.g. Annual financial reports, Eurocontrol databases).
- 27 The details of the PRB assessment with respect to the three points listed above can be found in the Annex to this report. The following paragraphs contain a summary of the main findings.

3.2 Cost-efficiency performance targets are inconsistent with the trends

- 28 Belgium provided three main reasons to justify its high determined unit cost for RP3:
- The complexity of the provision of air navigation services in the charging zone;
 - The distribution of costs between Belgium and MUAC; and
 - Cross-border arrangements.

Complexity of the provision of air navigation services in the charging zone (Element 2 of the Annex to the EC decision)

- 29 Belgium partly justified the inconsistency with the cost-efficiency trends with high airspace complexity. In Annex R of the revised draft performance plan Belgium stated that, “*the costs of air navigation services in Belgium are relatively high due to the size and complexity of the airspace*”.

- 30 The data submitted by Belgium and the PRB’s own analysis based on data from Eurocontrol show that the complexity of the airspace managed by skeyes and MUAC is high, as it is the case for the other ANSPs included in the comparator group.
- 31 The data further demonstrates that the complexity remained stable during RP2 and the first two years of RP3. There is also no evidence to support a significant increase in traffic complexity for the remainder of RP3 that could justify a substantial increase in operational costs.
- 32 The complexity of an airspace and its possible impact on cost are considered with the composition of the comparator groups and the related baseline value of the determined cost. Therefore, higher costs due to complexity of an airspace are already considered when assessing cost-efficiency targets in respect of the DUC level.
- 33 Belgium has not demonstrated that complexity has an impact on the DUC trends.

Distribution of the MUAC costs and service units between the Brussels sector and the other sectors within the MUAC area of responsibility (Element 5 of the Annex to the EC decision)

- 34 Belgium explained that the inconsistency with the Union-wide cost-efficiency trends partly results from the allocation of the MUAC cost among the MUAC Member States (Belgium-Luxembourg, Germany, and the Netherlands) leading to higher costs per service unit for the Belgium-Luxembourg charging zone. In the information provided during the detailed examination, Belgium argued that these higher unit costs impact the achievement of performance targets in the area of cost-efficiency.
- 35 Belgium noted that the methodology defined and applied by the four MUAC Member States to allocate the MUAC costs to the different charging zones is based on the number of ATCOs required to manage the traffic in the respective charging zone. The number of ATCOs is higher in the Belgium-Luxembourg charging zone and, given that the en route charging zone which MUAC controls for Belgium-Luxembourg has a smaller number of

service units than the other Member States, this results in higher costs per service unit for Belgium-Luxembourg compared to the other MUAC Member States.

- 36 The PRB does not comment on the respective agreements and limits its assessment to analysing their consequences on the MUAC Member States. The four MUAC Member States define the methodology for allocating MUAC costs and revenues to the different charging zones. To the extent these agreements impact the performance of the individual MUAC Member States, they should not be considered as a justification for inconsistency with the cost-efficiency targets under the performance and charging Regulation.
- 37 The PRB analysis shows that the current arrangement between the MUAC Member States may cause compliance issues with the Regulation. MUAC operates under a full cost recovery system and does not bear the financial risks and/or benefits stemming from the different incentives mechanisms of the Regulation. MUAC costs and revenues are allocated to the individual Member States and the associated financial risks and/or benefits are also passed on to the latter. In the case of Belgium, this resulted in an additional revenue for skeyes of +16.4M€ for RP2 overall, and +1.1M€ for the combined year 2020-2021.

Cross-border service provision arrangements with neighbouring countries and their operational and financial impact (Element 9 of the Annex to the EC decision)

- 38 Belgium partly justified the inconsistency with the cost-efficiency trends due to the fact that the costs of providing air traffic services in the airspace of other Member States are included in the Belgium-Luxembourg charging zone, while the corresponding service units are allocated to other charging zones.
- 39 Based on the information provided by Belgium, there are three significant areas where the MUAC Brussels sector group provides services outside of the Belgian FIR.¹³ In addition, there are two significant areas where skeyes provides services outside the Belgian FIR. The effect of these cross-border service provisions on the costs varies.

- 40 The cost MUAC incurs for BITBU, KOSIT, and PINTOT/SORAL areas, and the cost skeyes incurs for Maastricht and SASKI areas are not covered by financial arrangements. The charging zone of Belgium-Luxembourg absorbs the cost for providing ATS services in these areas. The corresponding service units are recorded in the Netherlands for the two areas managed by skeyes, and in Germany and France for the three areas managed by MUAC.
- 41 The PRB estimates that the cost for providing these services in 2019 in the identified five cross-border areas where no financial agreements exist is +12.2M€₂₀₁₇ (+5.4M€₂₀₁₇ for skeyes and +6.8M€₂₀₁₇ for MUAC, respectively). If these costs were excluded from the 2019 cost baseline value for the en route charging zone of Belgium-Luxembourg, the 2019 baseline DUC level assessed against the comparator group average would be reduced by -4.8€₂₀₁₇.¹⁴ The reduction would not suffice to make it consistent with the baseline DUC criteria, as it would still be +5.9% higher than the comparator group average (from +13.2% higher in the revised draft performance plan).
- 42 Applying the same methodology to the 2024 determined costs would result in estimated costs for providing the services in the five identified cross-border areas amounting to +14M€₂₀₁₇ (+5.5M€₂₀₁₇ for skeyes and +8.5M€₂₀₁₇ for MUAC, respectively). The impact of the reduction on the DUC trends would be negligible, as these costs are incurred yearly in the same proportion.
- 43 The PRB analysis shows that the lack of financial agreements to cover the costs for cross-border services provided by MUAC and skeyes outside the geographical scope of the charging zone does not justify the deviations from the cost-efficiency targets.
- 44 The PRB analysis also shows that the current cross-border arrangements for the five areas not covered by financial arrangements may cause compliance issues with the Regulation. The Regulation requires that the cost base for en route charges consists of the determined costs related to the provision of air navigation services in the charging zone concerned, ensuring that airspace users are only charged for services provided in

¹³ MUAC Brussels sector group covers the airspace of Belgium and Luxembourg and areas situated in the Netherlands and in Germany.

¹⁴ Also reflecting a mirrored impact on the Netherlands 2019 DUC baseline relating to the services provided by skeyes in the Netherlands en route charging zone.

that geographical zone. The determined and actual costs in the Belgium-Luxembourg en route charging zone should not include costs relating to the provision of services outside its geographical scope.

Conclusions

45 Belgium-Luxembourg presented three main reasons for being inconsistent with the cost-efficiency criteria relating to the DUC trends. The PRB recognises that these issues may impact the determined unit cost of skeyes, however the PRB finds that these reasons do not justify a deviation from the cost-efficiency targets for RP3:

- The complexity of the sectors controlled by skeyes has remained steady for RP2 and the initial years of RP3, and Belgium-Luxembourg has not presented any evidence to support the view that complexity will increase in the remaining years of RP3. Thus, costs associated with managing complexity do not justify the inconsistency with the cost-efficiency DUC trends criteria (neither with the RP3 trend nor with the long-term trend).
- The MUAC cost allocation methodology does not justify increasing the DUCs for RP3, as it is a matter for the MUAC Member States to agree on this methodology.
- The cross-border services provided by MUAC and skeyes outside the geographical scope of the charging zone do not justify the inconsistency with the cost-efficiency DUC trends criteria.

3.3 The deviation from the long-term trend is due to additional costs incurred for the achievement of the local capacity performance targets

Capacity planning of skeyes and MUAC including the planned number of ATCOs, ATCO training, and planned investments in fixed assets (Element 6 of the Annex to the EC decision)

46 The PRB analysis shows that the measures planned by Belgium-Luxembourg correspond to the Network Operations Plan, and the Network Manager considers them in its calculation of capacity surplus/capacity gap.

47 Both skeyes and MUAC have a capacity plan showing a minor capacity surplus compared to the 2021 October STATFOR base forecast. This is in line with

the recommendation of the Network Manager and serves as a buffer in case traffic recovers faster than the STATFOR base forecast. Both ANSPs are expected to experience a small capacity gap should the traffic evolve according to the STATFOR high forecast.

Measures invoked by Belgium and Luxembourg in order to justify the observed deviations from Union-wide cost-efficiency trends on the grounds of additional costs for the achievement of capacity targets (Element 1 of the Annex to the Commission decision)

48 Belgium-Luxembourg proposed seven measures to justify the deviation from Union-wide cost-efficiency trends on the grounds of additional costs for the achievement of capacity targets (Table 1, next page):

- Two measures relate to skeyes, at a cost of 34.6M€₂₀₁₇ over RP3; and
- Five measures relate to MUAC, at a cost of 33.4M€₂₀₁₇ over RP3.

The Regulation requires that a deviation from the cost-efficiency criteria is “*exclusively due to additional determined costs related to measures necessary to achieve the performance targets in the key performance area of capacity*” (Regulation 2019/317, cif. 1.4 (d) (i) of Annex IV).

Measures included by Belgium in the revised draft performance plan		RP3 costs (M€₂₀₁₇)
skeyes	1. Recruitment and training of additional air traffic controllers due to the "DISPO" scheme	27.2
	2. Replacement of part of the ATM system	7.4
	skeyes total	34.6
MUAC	3. General Condition of Employment package (GCE)	13.2
	4. Post-Operations Analysis and Business intelligence facilities "PABI"	0.9
	5. Ab initio recruitment	14.2
	6. Recruitment of ATCOs for the Brussels sector	4.4
	7. Manpower planning system for advanced rostering	0.8
	MUAC total	33.4
	Total Belgium-Luxembourg en route charging zone	67.8

Table 1 – Seven measures planned by Belgium-Luxembourg to justify the deviations from Union-wide cost-efficiency trends for the achievement of capacity targets.

- 49 According to the information provided by Belgium, the costs of the seven measures amount to a total of 67.8M€₂₀₁₇ over RP3. If all measures presented by Belgium were accepted, they would reduce the long-term deviation by -22.6M€₂₀₁₇, from 43.7M€₂₀₁₇ to 21M€₂₀₁₇.¹⁵
- 50 The PRB has reviewed and assessed the measures presented by Belgium. To the extent possible, it has also assessed the credibility of the associated cost. The following list provides a summary of the PRB findings and conclusions of the Annex for each measure:
- **Measure 1 - Skeyes Recruitment and training of additional air traffic controllers:** The measure is partially justified. The measure comprises the recruitment and training of ATCOs

to maintain adequate ATCO staffing levels. Regarding the costs of the measure, only those Belgium has submitted in the draft performance plan 2021 (23.1M€₂₀₁₇) are justified, while the cost increases included in the revised draft performance plan 2022 should not be accepted. The justified costs of measure 1 reduce the deviation from the long-term criteria by -7.7M€₂₀₁₇.

- **Measure 2 - Skeyes Replacement of part of the ATM system:** The measure is partially justified. The costs related to the ATM system upgrade are justified as additional costs necessary to achieve capacity targets (0.9M€₂₀₁₇). The costs associated with the new system (SAS3 project) are not justified, considering the uncertainty of its implementation. The justified costs of measure 2 reduce the deviation from the long-term criteria by -0.3M€₂₀₁₇.
- **Measure 3 - MUAC General Condition of Employment package:** The costs are significant and may not be considered proportionate during low traffic demand. However, the flexibility offered by the measure could improve the availability and allocation of the resources, and maximise the capacity made available at short notice. The PRB concludes that the costs of measure 3 (13.2M€₂₀₁₇) are justified as additional costs necessary to achieve capacity targets. The justified costs of measure 3 reduce the deviation from the long-term criteria by -4.4M€₂₀₁₇.
- **Measure 4 - MUAC Post-Operations Analysis and Business intelligence facilities "PABI":** The measure is justified (0.9M€₂₀₁₇). The measure is expected to enhance capacity during RP3 by improving operational efficiency, rostering efficiency, and reducing delays. The justified costs of measure 4 reduce the deviation from the long-term criteria by -0.3M€₂₀₁₇.
- **Measure 5 - MUAC ab initio recruitment:** The measure is justified (14.2M€₂₀₁₇). The costs for measure 5 are significant, however they can be considered proportionate in light of the operational capacity benefits that the measure will provide in the medium and long-term. The justified costs of measure 5 reduce the deviation from the long-term criteria by -4.7M€₂₀₁₇.

¹⁵ The amounts refer to 2024, and are calculated according to the [PRB assessment of the revised draft performance plans for RP3, Annex I – Technical guide to the RP3 assessment factbooks](#).

- *Measures 6 - MUAC Recruitment of ATCOs for the Brussels sector:* The measure is justified (4.4M€₂₀₁₇). The cost associated with planned increase in the number of ATCOs for the MUAC Brussels sector is justified, as it increases airspace capacity for the remainder of RP3. The justified costs of measure 6 reduce the deviation from the long-term criteria by -1.5M€₂₀₁₇.
 - *Measure 7 - MUAC Manpower planning system for advanced rostering:* The measure is justified (0.8M€₂₀₁₇). The measure is expected to enhance capacity by improving operational and rostering efficiency. The justified costs of measure 7 reduce the deviation from the long-term criteria by -0.3M€₂₀₁₇.
- 51 The costs of the seven measures considered as justified (individually and together) reduce the long-term deviation by -19.2M€₂₀₁₇, from 43.7M€₂₀₁₇ to 24.5M€₂₀₁₇ (hence still insufficient to be consistent with the Union-wide targets).¹⁶

Conclusions

- 52 Belgium-Luxembourg presented seven measures to justify the deviations from Union-wide cost-efficiency trends necessary to achieve the capacity targets: Two measures relate to skeyes, for a cost of 34.4M€₂₀₁₇ and five measures relate to MUAC, for a cost of 33.4M€₂₀₁₇, for a total of 67.8M€₂₀₁₇ over RP3 (Table 1 above). The PRB found that 57.4M€₂₀₁₇ related to the seven measures are justified both individually and considered together as a contribution to the achievement of capacity targets.
- 53 The costs of the seven measures found as justified (individually and together) reduce the long-term deviation by -19.2M€₂₀₁₇ to 24.5M€₂₀₁₇.

3.4 The determined costs for the charging zone have not been reduced to a sufficient extent

Detailed assumptions and parameters underlying the determined costs of skeyes and MUAC, for each year of RP3 and broken down per cost category and service (Element 3 of the Annex to the EC decision)

- 54 The PRB examined the actual cost structure and evolution at charging zone level for skeyes and

MUAC separately, and analysed the assumptions underlying the determined costs for RP3.

- 55 The PRB assessment shows that skeyes and MUAC steadily increased their actual costs during RP2, mostly driven by higher staff and other operating costs, in line with the increase in traffic. However, skeyes and MUAC plan to increase their costs also in RP3, despite lower traffic levels. The costs of the charging zone are thus moving in the opposite direction to what the performance and charging scheme is aiming for (i.e. increasing the cost-efficiency of the ANSPs).
- 56 The determined costs for skeyes in 2024 are expected to be +3.0% (or +3.9M€₂₀₁₇) above the 2019 baseline value. This increase is mostly attributable to the planned increase in staff and other operating costs (+6.9%, or +6.5M€₂₀₁₇ in staff costs and +7.7%, or +1.8M€₂₀₁₇ in other operating costs).
- 57 The determined costs for MUAC in 2024 are planned to be +24% (or +15M€₂₀₁₇) above the 2019 baseline value. This increase is fully attributable to the planned increase in staff costs (+30%, or +15M€₂₀₁₇).
- 58 Skeyes and MUAC contribute to the deviations from the long-term DUC trend at charging zone level with an equal share (+22M€₂₀₁₇ for each ANSP).

Service units recorded and forecasted in the charging zone, broken down per ANSP (Element 4 of the Annex to the EC decision)

- 59 The PRB compared the cost of skeyes with the cost of LVNL (including the costs of KNMI), the most comparable ANSP with respect to the services provided.¹⁷ The analysis is based on the costs per service unit, taking into account the number of service units controlled by each ANSP (excluding the service units controlled by MUAC in each charging zone).
- 60 At the end of RP1 and of RP2, skeyes unit costs were lower than those of LVNL (by -8% and -10%, respectively). With the adjustments to the 2019 baseline, the unit cost is +2.2% higher for skeyes. The difference is planned to increase to +4% in

¹⁶ According to the [PRB assessment of the revised draft performance plans for RP3, Annex I – Technical guide to the RP3 assessment factbooks](#).

¹⁷ KNMI is the Royal Netherlands Meteorological Institute.

2024 (+9.4% when excluding the one-off reduction in 2024 relating to exceptional items).

- 61 This difference is due to an increase in staff costs for skeyes. The unit costs for staff costs for skeyes was -7% lower than for LVNL in 2014 while +2% higher in 2019. With the adjustments to the 2019 baseline, the 2019 unit cost for staff costs for skeyes becomes +16% higher than LVNL and is planned to reach a difference of +23% in 2024 (corresponding to +18.7M€₂₀₁₇).
- 62 The information Belgium has presented for the detailed examination does not explain why skeyes would require the substantial planned increase in its costs to achieve the performance targets. The comparison with a very similar ANSP indicates that it is reasonable to expect that skeyes can achieve the performance targets at broadly similar costs as its comparator.

Cost allocation between en route and terminal services, and between services in the scope of the performance plan and other services (Element 7 of the Annex to the EC decision)

- 63 Skeyes changed the cost allocation methodology applied during RP2 for approach services and supervision costs and justifies these changes based on operational requirements. Skeyes seems to allocate the costs for approach services fully to en route, which implies that overflights are financing approach services.
- 64 The change in the methodology compared to RP2 results in an increase of +14.3M€₂₀₁₇ in the en route 2019 baseline costs, with a corresponding reduction in terminal baseline costs of -4.4M€₂₀₁₇. The difference between the adjustments comes from the fact that some of the airports benefiting from the new allocation lie outside the scope of the SES performance and charging scheme. Nevertheless, inconsistencies remain with respect to the percentage changes between RP2 and RP3 in terminal total costs and between the baseline adjustments, in particular in the context of the airports outside the scope of the SES performance and charging scheme. This has not been adequately explained by Belgium.
- 65 The Regulation requires Member States to ensure that part of approach costs is assigned to the terminal cost base (Article 22 (5)(b) of the Regulation). The PRB concludes that the change in the cost-allocation between en route and terminal as

planned by Belgium-Luxembourg may not be compliant with the Regulation.

'DISPO' pre-retirement scheme for air traffic controllers in Belgium (Element 8 of the Annex to the EC decision)

- 66 Belgium has implemented a scheme for functional availability and pre-retirement leave for ATCOs (DISPO). For RP3, the costs related to this scheme are estimated to almost double compared to RP2 (29M€₂₀₁₇ compared to 15M€₂₀₁₇) and are expected to reach approximately 54M€₂₀₁₇ in RP4, because of additional numbers of eligible staff. The PRB analysis suggests that there are further indirect costs related to the scheme.
- 67 The PRB estimates that the percentage of DISPO FTEs recalled to perform tasks is very low.
- 68 Belgium has not provided any justification to support the need for this scheme. In addition, Belgium has not explained why it has not taken any mitigation measures to limit the associated financial impact on the determined cost of skeyes.

Costs charged to airspace users in RP2 in respect of postponed or delayed investments in fixed assets (Element 10 of the Annex to the EC decision)

- 69 Several investments included in the RP3 cost bases of skeyes and MUAC may include costs that have already been charged to airspace users in RP2 for investments which were postponed and/or delayed. However, Belgium has not provided the necessary details to allow the PRB to assess this issue. Further examination of costs may be warranted as airspace users should not be double charged for such investments.
- 70 In RP2, in terms of depreciation and cost of capital for skeyes, airspace users have financed 21M€ (7.8M€ for en route and 13M€ for terminal) for investments that have not materialised.
- 71 In RP2, for MUAC, in terms of depreciation and cost of capital included in the Belgium-Luxembourg charging zone, airspace users have financed 2.1M€ for investments that have not materialised.
- 72 Belgium noted that, during RP2, there was no legal requirement to refund airspace users.

Conclusions

- 73 Skeyes and MUAC costs showed a steady increase over RP2, mostly driven by higher staff and other operating costs. The increase in costs is planned to continue during the remainder of RP3 and is mostly related to staff costs, despite the reduced traffic levels. The PRB is concerned that the costs of the charging zone are moving in the opposite direction to what the performance and charging scheme is aiming for.
- 74 One of the main drivers for the increase in the staff costs for skeyes is the so-called “DISPO” scheme. The need of the DISPO scheme is unclear, and the costs related to it are estimated to further grow in the future. The PRB is concerned that no mitigation measures have been put in place to limit the associated financial impact on skeyes and on airspace users.
- 75 The PRB found that there may be compliance issues with respect to the cost allocation between the en route and terminal services provided by skeyes, and with respect to the inclusion of costs for cross-border services provided outside the charging zone in the cost base of MUAC and skeyes.
- 76 The PRB notes that further examination of costs may be warranted to ensure that airspace users are not double charged in RP3 for investments that were postponed and/or delayed in RP2.

4 PRB RECOMMENDATIONS

77 The PRB has assessed the information Belgium submitted during the detailed examination process and recommends to the European Commission the following:

Recommendation 1 – On the basis of the detailed analysis, the finding that the en route cost-efficiency targets of Belgium-Luxembourg contained in the revised draft performance plan are inconsistent with the Union-wide targets should be maintained.

- The specificities claimed by Belgium and Luxembourg to deviate from the Union-wide DUC trends (namely the complexity of the ANS service provision in the airspace covered by the charging zone; the MUAC cost-allocation keys, and the absence of financial arrangements for the services provided by skeyes and MUAC outside the geographical scope of the charging zone) should not be considered as justifications when assessing the consistency with the cost-efficiency targets.
- Belgium and Luxembourg presented seven measures to justify a deviation from Union-wide cost-efficiency trends due to additional costs to achieve the capacity targets, amounting to 67.8M€₂₀₁₇ over RP3. The PRB recommends recognising as justified part of the measures (amounting to 57.4M€₂₀₁₇ over RP3). These measures reduce the deviation from the long-term trend by -19.2M€₂₀₁₇, from 43.7M€₂₀₁₇ to 24.5M€₂₀₁₇.

Recommendation 2 – To ensure consistency with the Union-wide performance targets and to address the deviation from the long-term DUC trend, the following **corrective measures** should be implemented by Belgium:

- Reduce the 2024 real en route costs for the charging zones by -24.5M€₂₀₁₇; and
- Start setting out major structural changes to mitigate the planned operating costs increases over RP3 and the long-term.

Measures to achieve the cost reduction could include, *inter alia*:

- Reducing the costs related to the DISPO scheme of skeyes, and/or compensating the RP3 DISPO scheme costs with efficiency measures;
- Waiving the return on equity for the remainder of RP3; and
- Reimbursing the regulatory results stemming from the calendar year 2022.

Recommendation 3 – To ensure compliance with the Regulation in respect of:

- The methodology for allocating the costs of skeyes between the en route and terminal charging zones;
- The treatment of the costs for cross-border services provided by MUAC and skeyes;
- The application of the different incentive mechanisms by MUAC; and
- The treatment of the costs related to investments postponed and/or delayed in RP2, to avoid double charging.