

**C/AFT ATSP FG
March 29, 1999
Seattle, WA**

Meeting Minutes

Attendees:

Russ Chew, American
Brad Unnasch, United
Dave Jones, United
Alexander Grant, British Airways
Louis Beardsworth, British Airways
Carl Schellenberg, FAA
Norm Fujisaki, FAA
Randy Fiertz, FAA
Jim McMahan, FAA
Jady Handal, FAA
George Skaliotis, Volpe
Margaret Kim, ATA
Alan Sbarra, R2A, Inc.
Boris Trnavskis, R2A, Inc.
Phil Roberts, R2A, Inc.
Philippe Enaud, Eurocontrol
Peter Friedrichs, Nav Canada
Joe Sinnott, MITRE/CAASD
Bob Schwab, Boeing
Monica Alcabin, Boeing

Russ opened the meeting. A meeting with the FAA was proposed for April 19, 1999 in Washington, DC at FAA headquarters. The goal of this FG would be to help define products, services, customers, and how we would allocate those costs. We want to understand what has already been done and bring together common definitions to enable us to benchmark and compare performance of ATS providers from a customer perspective. To accomplish this, It would be necessary to understand the costs of delivering an ATS service (geographically and by service type), then b do some analysis to understand the cost drivers. This would enable us to conduct cost/benefit analyses from an “aggregate” perspective when considering CNS/ATM improvements and alternatives.

Performance Review Commission: Review of Study on Information Requirements and Data – Philippe Enaud, Eurocontrol (slides not available)

Philippe reviewed the study that Eurocontrol launched with with PriceWaterhouse-Coopers. Information that is currently available are annual reports, business plans, CRCO information (for en route charges), and other information (for indirect costs). Philippe presented examples of some of the outputs available from the current system. Eurocontrol is now in Phase 2 of the PriceWaterhouse-Coopers study. Eurocontrol PRU will organize an open day for comments in September.

Issues raised around marginal cost. When you add a new function, do you look at the additional cost for that additional function? What is used vs what is available? How do you allocate those marginal costs?

Presentation by Jady Handal (slides)

Proposed Program of the ATSP FG Phase 2 – Phil Roberts, R2A Inc (slides not available)

Phil reviewed the presentation given in the morning during the Core Team Meeting. R2A proposes to outline what we know, what we suspect, what we don't know. What we don't know will help us figure out the kinds of things that we would like to find out. The goal of the study is to focus on costs, not prices.

The discussion continued regarding definition of users vs customers, services, products, and principles behind activity-based costing.

March 30, 1999

The group reviewed the schedule of the ATSP FG Phase 2 activity. Proposed detailed briefing by the FAA – April 19, 1999 in Washington, DC.

ATSP FG Phase 2 Activity

Schedule

April – September

Information exchange and benchmarking with Eurocontrol PRU, Nav Canada, UK NATS

Coordination with FAA

June – September

ATS cost structure analyses

Progress reports – monthly

Final report – September 30

Proposed Technical Unit:

American Airlines

United Airlines

British Airways

Other airlines?

Advisor: Dot Etheridge, FAA Programs Manager, Retired

Advisor: Monica Alcabin, Boeing, ATSP FG Phase 1 Lead

Other (?)

Cooperating Agencies:

US FAA

Eurocontrol, PRC/PRU

Nav Canada

UK NATS

Joe Sinnott was originally proposed as another advisor, but Joe had to decline because MITRE/CAASD cannot get involved with anything that might have to do with user fees. Although the proposed project would specifically exclude discussions about pricing and user fees, the two subjects are so closely related that Joe felt it wise to be officially excluded from it.

Russ asked if the group would be able to get any cost information from the FAA. Norm said that he knew that the FAA was working on it.

Norm said that the agency is reacting to a GAO report that came out two years ago that criticized the FAA for not having a cost accounting system. Russ commented that the schedule for the development of the FAA's cost accounting system seemed quite aggressive, considering the complexity of the system.

Peter Friedrichs of Nav Canada said that their experience has shown them that it takes longer to implement an activity-based system. They are having problems keeping track of assets (what do they own, what do they not own, issues with collocated facilities, maintenance, telecom) and allocating costs. They have been able to attribute costs to terminal functions, en route, and overflights. The costs are always changing since they are in the process of installing new systems and automating. How does one measure that? They have put together a committee just to work on definitions. For example, what is a facility? What is a site? Until you define and agree on what it is, you can't measure it. What product are you trying to achieve at the end of Phase 2? Do you want to populate the model or develop a methodology?

Russ suggested that the goal is developing a methodology, not necessarily populating a model and thus the desire to see better harmony among ATS providers.

Norm agreed that it would be better to get the structure and the numbers 80% right.

Peter asked how many of those numbers are actually going to be available? He just worked on a study to develop costs for FSSs. They thought the information would be readily available and it wasn't. The main thing is to identify the key cost drivers. For Nav Canada, it was labor costs. Personnel made up 85% of their costs - you have to get that right, otherwise you're sunk. Their next biggest chunk was telecom. For them, facility costs were a smaller portion of their costs.

Norm said that the FAA has been looking at structures and collecting numbers since 1997. The FAA has been trying to do this for 2 years. It is finally coming together.

Russ suggested that the airlines work with the FAA on this because the Inspector General has visited with the airlines and told them that he wants to hear from them along the way, because he hears from them when they complain. If the airlines work with the FAA on this, then, when things get delayed, the airlines can say they disagree but that they understand why.

Jady suggested we work with Penny Mefford, who is working cost accounting for ATS and works for Carl.

Russ asked for comments on the structure of the FG: Russ as FG lead, R2A as consultants doing the work, 3 airline reps on the Technical Review Unit (American, United, British Airways), and 2 advisors on an ad hoc basis (Dot Etheridge (consultant), Monica Alcabin (Boeing)). Other airlines may get involved.

Discussion continued on definitions and structure. We should make sure that the format or the content of the data that we collect supports the processes of the performance of ATS services that we want to measure in the future. We also need to consider how we will present the data. The challenge will be in defining the services and the costs. Services as products is one dimension. Do we want to go down to the site level? The third dimension is the customer level. Until we get to charging or costs, we may not need to get down to the customer level. We might want to consider aircraft speed or weight (attributes) because a certain aircraft type might take up more space or time in the system.

We don't know how we will fund or capitalize modernization. Part of the investment decision is how much value does the system contribute back. It is different for commercial and non-commercial users. We could add that later on. C/AFT is trying to find solutions to roadblocks that lead to modernization. Perhaps we should stick to service blocks. Where we need to collect the data for analytical reasons, then we collect the data, otherwise, we don't have to get to that level of detail. It would be good if we can get to the structure early and drive that into the cost accounting system. We should first concentrate on developing the process and the structure, rather than collecting the data. Later on, we can concentrate on collecting the data but hopefully, by that time, we will have the systems in place to collect the data. The data we want to collect will depend on what we want to do with that data. It was suggested that what we might want to create is a regular reporting of the information. The danger is that the use of the data will change over time.

ATSP FG Schedule

- R2A + technical reps will try and visit Nav Canada before April 19 and will also meet with Nav Canada Performance Measure Group
- Detailed meetings with FAA – April 19
- ATSP FG meeting – Tues, June 29, DFW (not core team meeting)
- ATSP FG meeting – in conjunction with core team meeting – Aug 31-Sept 1, Seattle
- Final report – in conjunction with all-airline/core team meeting – Oct 20-21, Toulouse