

# ATNS MANAGEMENT DIRECTIVE 1/2008

PROMULGATED BY: CHIEF EXECUTIVE OFFICER  
EFFECTIVE FROM: 01 NOVEMBER 2013  
ENQUIRIES: SENIOR MANAGER: ECONOMIC REGULATIONS AND PLANNING  
APPLICABLE TO: ALL STAFF MEMBERS

TERMS OF REFERENCE FOR THE ATNS PERMISSION COMMITTEE

## 1. INTRODUCTION

This document serves as the terms of reference for the ATNS Permission Committee and describes the membership, meeting procedures, administrative procedures and deliverables of the Committee. This directive must be read in conjunction with QMS Procedure EC002, Permission Preparation Procedure. Attached to this directive are Appendices A, B, C and D, containing respectively the time frames for module submission, the format for module submission, representative appointment form and invite of additional representative form.

## 2. MEMBERSHIP

### 2.1 Permanent members

- CFO ( Chairperson)
- Secretariat: Senior Manager: Economic Regulatory and Planning
- ATNS's Executive Managers:
  - E: ETS
  - E: ATM
  - E: HC
  - E: RC
  - E: O

### 2.2 Additional attendees

All Permission Module Managers are invited to attend the meeting. Additional attendees may be invited by the Chairperson, on request of one of the permanent members to provide expert input into the meeting, as required and nominated by completion of the form (as contained in Appendix D).

### 2.3 Quorum

The meeting will be considered as properly constituted only when at least 3 of the permanent members including the Chairperson, or in their absence the officially appointed representatives, are present. All the members will ensure that the representative appointment form (as contained in Appendix C) reaches the meeting secretary prior to the meeting, where the representative other than the module coordinator is appointed.

## 2. PURPOSE OF THE MEETING

- 3.1 The Permission Committee is tasked with overseeing the compilation of the Permission Modules and the achievement of target dates and milestones in the preparation of the permission submission.

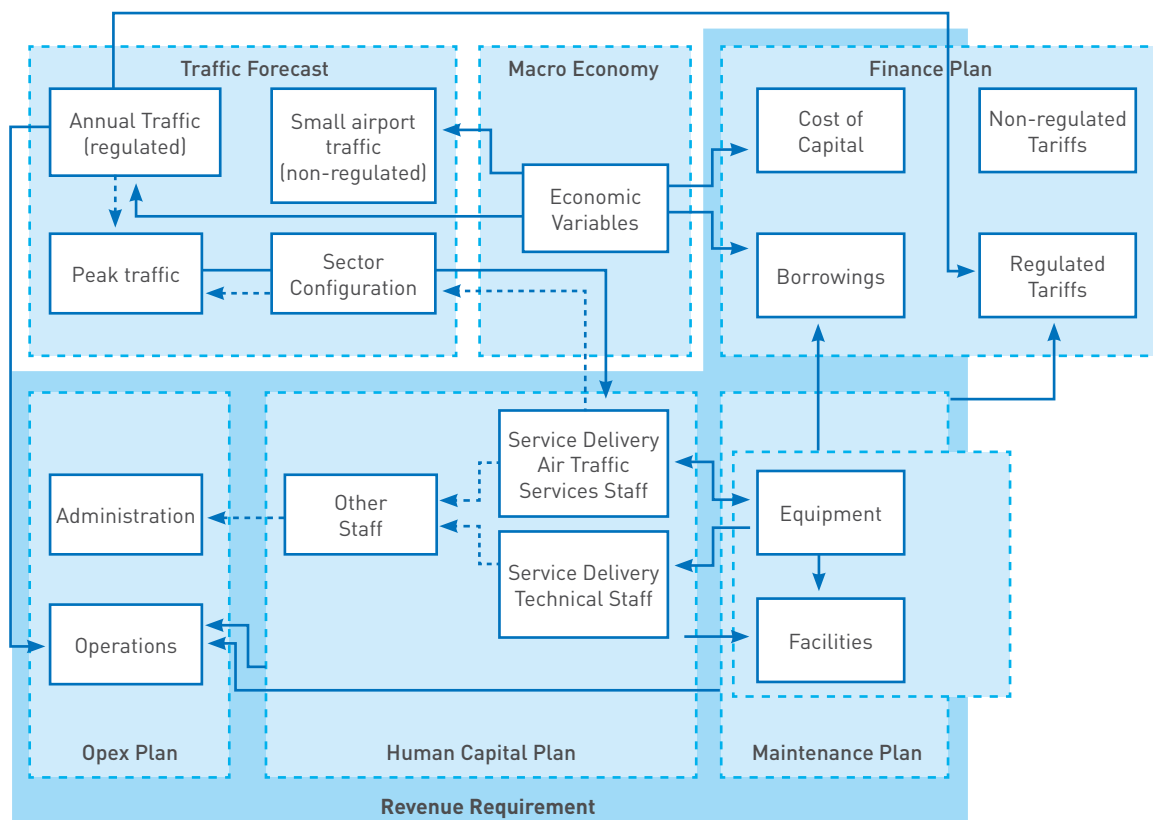
### 3.2 Information Modules

The key functional relationships of the business are shown in Figure 1 below. The white blocks present the major business components and their drivers. These components are aggregated into (grey-shaded) modules, typically called 'plans' or 'forecasts' in Figure 1. The components can be re-arranged for different purposes, but the arrangement shown in Figure 1 is largely driven by the structure of the modules required by the regulator. Starting at the top and middle of the figure, and following the key relationships:

- The overall direction of the company is determined by the macro-economic environment, as represented by the **Macro-Economy Module**. The macro-economy drives aggregate (annual) traffic, and also sets the pricing parameters (inflation, interest and cost of capital) for the company.

The **Traffic Forecast Module** covers the demand for the core air traffic control services. The annual traffic, together with tariffs, drives revenue. Peak traffic and the related design and configuration of airspace sectors determine how the core (frontline) business is organised.

- The frontline staff component of the **Human Capital Plan Module** flows from the traffic module, as well as from the equipment component of the CAPEX Module (i.e. the number and organisation of frontline staff depend on the sector configuration and the enabling technology environment). The other staff components flow largely from the frontline staff.
- The **CAPEX Module** is also the basis for the Maintenance Plan Module, i.e. the capital expenditure over time provides the capital base that needs to be maintained.
- The annual traffic drives the total level of activity in the company, and therefore the operational expenditures. Administrative expenditures are largely driven by the staff organisation of the company, as well as statutory (governance, auditing, etc.) requirements. These components are aggregated into the **OPEX Plan Module**.
- The **Finance Plan** ties the other modules together, which in simple terms is purely the aggregate traffic divided by the company's expenditure base ('revenue requirement').



There are some supplementary components/modules required by the Regulating Committee (strategic and business review; reconciliation of historic expenditures and budgets; key performance indicators; accounting policies; consultation report/s; financial model). These components are however not inputs to, but rather outputs from the key components and modules shown in Figure 1. They will therefore be generated per Permission application, based on the contents of the key modules.

A potential module which is not really part of the company functional structure as shown in Figure 1 above, or a supplementary module required by the regulator, is the issue of governance and compliance. A number of company actions are subject to statutory tests (safety, borrowings, black economic empowerment, etc.). The set of modules would therefore be incomplete without a **Compliance and Governance Module**. (Governance includes requirements of the Public Financial Management Act (e.g. borrowing), the Companies Act and related obligations (e.g. employer obligations) and the ATNS Act (e.g. Ministerial approvals)).

### 3.3 Key Module Structure

ATNS has adopted an approach of converting the whole business structure into ready-to-use modules. The following principles would apply.

### 3.3.1 Medium-term Focus

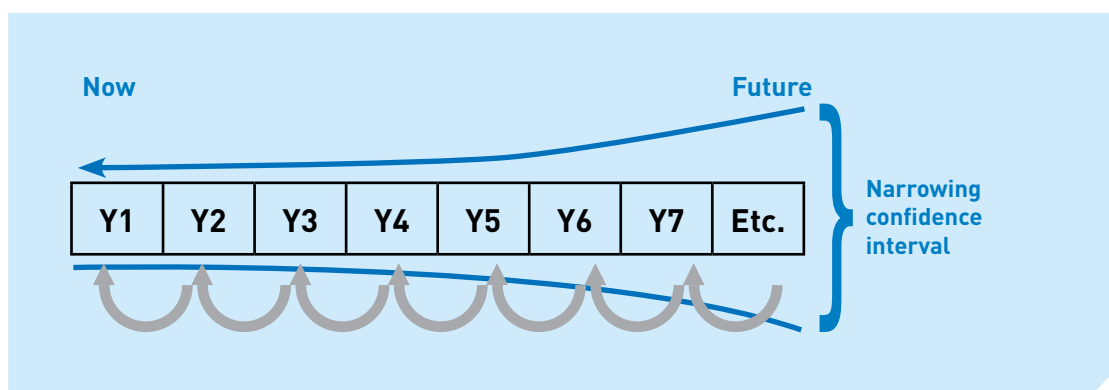
Past Permission applications could not be extended beyond the planned permission cycle due to the short-term planning approach – i.e. information was constructed for the application but not used thereafter. This has meant that applications have entailed step changes in expenditure, rate of return required, revenue required, etc. The National Treasury requires public entities to follow and apply a medium to long-term planning cycle. ATNS strives to adopt a similar recommended approach.

In practical terms, this would imply that a Module is constructed to be suitable for multiple years with the early years having a high level of accuracy which trail off for the later years.

The planning for the new permission application is the financial year preceding the first year of the new Permission cycle. When the current financial year is completed, that next year becomes the actual year and the year thereafter becomes the next annual budget. A new year (with lower forecast accuracy) is introduced at the end of the planning term.

The Module is kept alive so that at any given stage, it can be plugged into a Permission application (i.e. it does not have to be constructed for the application).

Importantly, as years approach the actual (current) year, the allowed envelope tightens and budget changes outside this envelope will be frowned upon. This approach has important implications for annual (i.e. intra-Permission) budgeting as well: the company has in the past not been shy to step out of the Permission-defined expenditure structure and levels and this approach will require more discipline in this period (although some flexibility is still required in the event of material changes to the business conditions).



### 3.3.2 Periodicity

Clearly, some modules have to plan for a longer cycle than others. For example, the CAPEX Module would look over the full equipment replacement cycle while the Human Capital Plan Module would look over a shorter term. Similarly, some modules will have to be updated more regularly than others.

The planning and updating schedule for the various modules is as follows:

Module	Planning Horizon	Update Frequency (at least)	Comment
Macro-Economy	10 years	3 years	Can coincide with application
Traffic Forecast	10 years	3 years	Can coincide with application
CAPEX	20 years	Annual	
Maintenance	10 years	Annual	
Human Capital Plan	10 years	Annual	
OPEX	5 years	Annual	
Finance Plan	5 years	Annual	

The supplementary modules will be treated as follows:

Module	Planning Horizon	Update Frequency (at least)	Comment
Strategic Review	10 years	3 years	Can coincide with application
Key Performance Indicators	5 years	Annual	
Variance Report	1 year	Annual	Regulating Committee requires annual report
Accounting Policies	Flexible	Annual	Required for Annual Financial Statements
Financial Model	5 years	3 years	Can coincide with application
Consultation Report	Flexible	Annual	Can coincide with application
Compliance/Governance	Flexible	Annual	

### 3.3.3 Integrated Planning

None of the modules can be maintained in isolation – they are all interdependent. This means that although a module can have a single coordinator, various divisions will have to participate.

The allocation of responsibilities is as follows:

Module	Coordinator	Participants							
		Ops							
		Ops	Tech	ATM	ATA	Cs	FIN	HC	CEO
Macro – Economy	Finance			✓			✓		
Traffic Forecast	ATM	✓					✓		
CAPEX	ETS	✓	✓		✓		✓		
Maintenance	Ops: Tech	✓			✓		✓		
Human Capital Plan	HC	✓	✓	✓	✓	✓	✓		
OPEX	Finance	✓	✓	✓	✓	✓		✓	✓
Finance Plan	Finance						✓		

Responsibility for the supplementary module is as follows:

Module	Coordinator	Participants							
		Ops							
		Ops	Tech	ATM	ATA	Cs	FIN	HC	CEO
Strategic Review	CEO	✓		✓			✓		
Key performance Indicators	CEO	✓		✓			✓		
Variance Report	Finance	✓	✓	✓	✓	✓	✓	✓	
Accounting Policies	Finance								
Financial Model	Finance								
Joint Consultation Report	CEO	✓		✓			✓		
Comp/Governance	Co Sec	✓		✓			✓		

### 3.3.4 Iterative Process

Three iterative positions will be employed – best, worst and average cases. **The CFO** is the overall custodian of the process and will determine the pace of implementation.



#### **4. PERMISSION COMMITTEE MEETING ADMINISTRATION**

An agenda and the relevant documentation to be considered at meetings will be distributed by the secretariat at the end of the business day one week prior to the meeting. In order for this to be possible members of the meeting will submit the required documentation under cover of a submission memorandum (similar to Executive submissions) to the secretary by no later than noon on the distribution day.

This arrangement allows for adequate time to complete activities and report progress to the meeting. Draft minutes of meetings will be distributed to the members no later than one week after the meeting date.

THABANI MTHIYANE  
**Chief Executive Officer**

**Date: 01 OCTOBER 2013**

## Appendix A

### 2015-2020 PERMISSION MODULE SUBMISSION TARGET DATES

27 September 2013	<b>Module Managers Meeting</b> - Presenting Macro-Economy and Traffic Forecasts Modules
24 October 2013	<b>Module Managers Meeting</b> - Presenting 1st draft of all Modules (except Finance Module) in preparation of the PPC.
29 November 2013	<b>Permission Planning Committee Meeting</b> - Presenting 1st draft of all Modules (except Finance Module)
11 March 2014	<b>Module Managers Meeting</b> - Presenting 1st draft Finance Module in preparation of the Permission Planning Committee Meeting.
14 March 2014	<b>Permission Planning Committee Meeting</b> - 1st run of Finance Module to the Permission Planning Committee
April 2014	<b>Executive Committee Meeting</b> - Presenting full package (Modules) to EXCO
26 May 2014	<b>Human Resource Committee</b> - Presenting HCP Module for approval
26 May 2014	<b>PROCOM</b> - Presenting CAPEX and Maintenance Modules for approval
July 2014	<b>Special Audit and Risk Committee</b> - Presenting a complete application Audit and Risk Committee
5 September 2014	<b>ATNS Board</b> - Presenting full package (Modules) to ATNS Board
September 2014	<b>Regulating Committee</b> - Initial Permission Application submission to Regulator
Nov –Dec 2014	<b>Regulating Committee</b> - Publication of approved Permission
January - March 2015	<b>Regulating Committee</b> - Gazetting of final Permission
1 April 2015	<b>Regulating Committee</b> - Effective date of new Permission



## Appendix B

### PERMISSION MODULE SUBMISSION FORMAT

For the modules to be plug-and-play, they should be structured in a similar (maybe common) format. The format could be as follows:

No.	Module	Comment
1	Applicable expenditure posts	Posts at Management Centre, Location, Department, Account Number level
2	Applicable policies and key principles	The 'planning philosophy'
3	Status quo situation (context)	Base year position, background
4	Key issues and events impacting on the projected position, including:	
	4.1 Changing level of demand	
	4.2 Stated user requirements	
	4.3 Technology environment	
	4.4 Change in service delivery approach	
	4.5 Developments in other modules	
	4.6 Etc.	
5	Projected Quantity Changes	Staff type and numbers, new facilities, level of telecoms usage, etc.
6	Projected Unit Price Changes	
7	Projected budget	In real terms (i.e. excluding inflation)
8	Impact on other modules	

## Appendix C

### ATNS PERMISSION COMMITTEE

#### APPOINTMENT OF MEETING REPRESENTATIVE

**Module represented:** \_\_\_\_\_

**Module Coordinator:** \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Nominated Representative:**

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Meeting Date/s: \_\_\_\_\_

The nominated representative is duly authorised to represent the Module Coordinator indicated and make decisions and commitments regarding the module represented.



## Appendix D

### ATNS PERMISSION COMMITTEE

#### INVITE OF ADDITIONAL REPRESENTATIVE

**Module represented:** \_\_\_\_\_

**Module Coordinator:** \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Invited Representative:**

Name: \_\_\_\_\_ Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Meeting Date/s: \_\_\_\_\_

The ATNS Permission Committee Chairperson is requested to invite the indicated representative to the meeting/s on date/s as indicated. This member will be required to make inputs regarding the modules to the Committee and will not have decision making rights in the meeting/s.